



# 2006

ANNUAL REPORT

**KYRO**  
TECHNOLOGIES



Kyro Corporation  
Headquarters  
Vehmaistenkatu 5,  
P.O.BOX 25  
FI-33731 Tampere  
Finland  
Tel. +358 3 382 3111  
Fax +358 3 382 3016

Kyro Corporation  
Helsinki office  
Kalevankatu 3 B,  
FI-00100 Helsinki  
Finland  
Tel. +358 9 5422 3300  
Fax +358 9 3487 2500

The photo location for Kyro's 2006 Annual Report 2006 is Dubai in the United Arab Emirates. Glass construction is a significant trend in the region, and the entire Middle East is an important market for Glaston Technologies.

At the time the photographs were taken, the world's highest building, the 162-story Burj Tower, was being constructed in Dubai. A Glaston customer participated in glazing the building.



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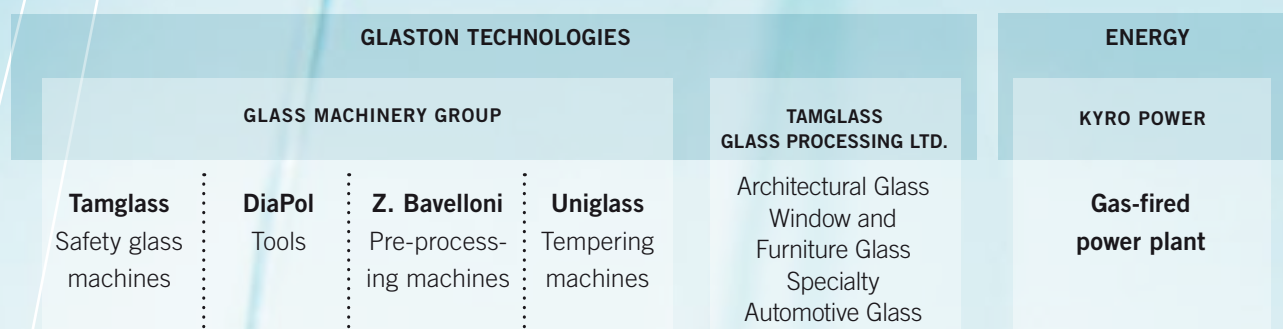
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# Kyro in brief

Kyro is a growing, financially sound global technology group. Its main business area, Glaston Technologies, consists of the global Glass Machinery Group, and Tamglass Glass Processing Ltd, which focuses on markets in Finland and neighbouring countries. The Energy business area consists of the gas combi power plant of Kyro Power Oy, which produces electricity and heat.

## Kyro Group



## Glaston Technologies

### GLASS MACHINERY GROUP

Glaston Technologies is the leading supplier of glass processing machines in the world. The Glass Machinery Group consists of Tamglass, the technology and market leader in safety glass machines, Bavelloni, the leading supplier of glass pre-processing machines and tools, which also produces stone processing

machines, and Uniglass Engineering, which manufactures flat tempering machines.

The product range of Tamglass and Bavelloni comprises machines required in glass processing, ranging from pre-processing to safety glass manufacturing. Glaston Technologies is the only supplier of such a comprehensive range of machines and services in the glass industry.

Glaston Technologies wants to be close to its customers. Its customer service network operates globally and it has sales

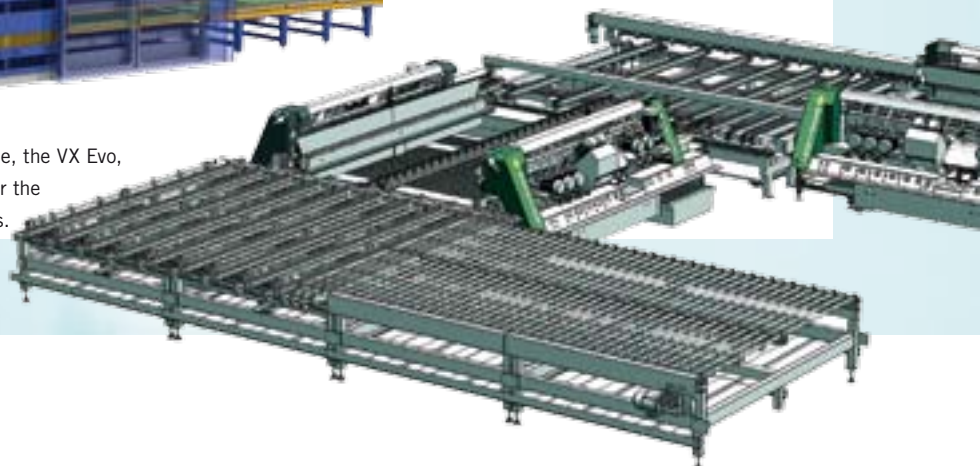
companies at more than 30 service points worldwide. Machine manufacturing plants are located in different parts of the world. Tamglass has assembly units in Finland, the USA, Brazil and China. Bavelloni's machines are assembled in Italy, Mexico, China and Brazil. Assembly plant operations are based on subcontractor networks.

Uniglass Engineering specialises in the manufacture of high quality flat tempering machines. The company operates in Finland and the machines it manufactures are sold through a network of agents to Europe and the USA.

The Tamglass ProE flat tempering machine adapts flexibly to the efficient production of all glass types.



Bavelloni's double edging machine, the VX Evo, has been designed particularly for the pre-processing architectural glass.







The curved energy glass of the new wing of Kyro Corporation's head office was tempered and bent using Tamglass machines by a customer company in Italy.



The pictured glass stairs represent a good example of the diversity of safety glass products.

#### TAMGLASS GLASS PROCESSING

Tamglass Glass Processing Ltd is the leading comprehensive supplier of glass processing products, with customers in the architectural, automotive, household appliance and furniture industries. The company's business areas are Architectural Glass, Window and Furniture Glass, and Specialty Automotive Glass.

Tamglass Glass Processing uses in its production the latest Glaston Technologies technology and makes a key contribution to Glaston's product development work. The Group's own glass processing plays an

important strategic role in machine manufacturing. Tamglass Glass Processing inputs new information and expertise on the needs and wishes of glass processing product customers into the product development of Tamglass and Bavelloni machines.

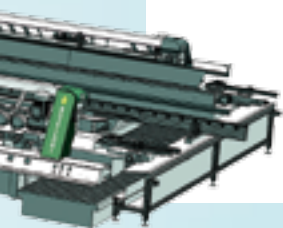
### Energy

The Energy business area consists of Kyro Power, a modern, environmentally friendly power company. The company's gas combi

power plant, which started operating in 1995, produces electricity, steam and heat, mainly for industrial needs. Sales of the energy produced are mainly based on long-term energy supply contracts. The company also has a reserve power plant, which secures energy production for the area.

The environmentally friendly power plant burns low-emission natural gas, so its carbon dioxide emissions are low compared to other energy generation processes based on fossil fuels.

Dr. Höhn GmbH uses Tamglass-manufactured back- and sidelites in its Nissan Navara hood structure.



Safety glass is around five times stronger than untempered glass. The need for safety is increasing all the time, particularly in public buildings. More than 40% of all the glass produced in the world in 2006 was processed into safety glass.





Glaston Technologies is the global market leader in safety glass machines and has manufactured approximately half of all the safety glass machines currently in use around the world.



# Kyro as an investment

Since becoming a listed company in 1997, Kyro has shown its ability to grow profitably and to meet the expectations of its customers and shareholders. Glaston Technologies, the main business area, has developed into the technology and market leader in glass processing machines, and its growth prospects as clearly the largest operator in its field are excellent.

Kyro has grown through structural changes, which began in the middle of the last decade, into a technology group that generates shareholder value. The Group's competitive position, moreover, is very strong. Among the most significant structural changes were the sale of forest industry operations in 1995, the growth of Tamglass to become the market leader in safety glass machines, and the market listing of Tecnomen in 2000, followed by its demerger from the Group.

Since 2001 Kyro has focused on glass processing technology. The Glass Machinery and Glass Processing groups, which make up the main business area, have been expanded through company acquisitions, the most important of which was the acquisition in 2003 of Bavelloni, the leading manufacturer of glass pre-processing machines. In 2005 structural development continued with the Energy business area's Partner project. Within the framework of this project, Kyro Power's hydropower plant

and Hämeenkyrön Lämpö Oy were sold in line with strategic objectives to energy distribution companies. In 2006 Kyro also concluded an agreement on the possible sale of the gas combi power plant and its business operations in summer 2007.

## MARKET LEADER IN A GROWTH INDUSTRY

Kyro also has what it takes to increase shareholder value in future. The Group has developed through company acquisitions into an entity whose market leadership and good profitability create a strong foundation for operational development, organic growth and further acquisitions.

A growth platform has been created by the increasing use of glass, particularly safety glass, all over the world. In 2006 float glass production grew globally by an estimated 3-4 per cent and safety glass use by around 7-10 per cent.

Safety glass is used in three main areas: the building industry, the automotive

industry and the furniture and appliance industry. The greatest growth potential is in the building industry, where the need for high glass-processing technology is increasing in line with demand for energy glass. Moreover, the use of glass, and the proportion of safety glass, is growing in all the other sectors, while demand for Glaston's technology is also increasing. The industry technology leader's opportunities for profitable growth faster than the market are excellent, particularly due to the fact that the One-Stop-Partner concept offered by Glaston is the only one of its kind in the glass processing sector.

Kyro's main business area operates globally; its production and sales are diversified over several continents and currency areas. Positive earnings development, financial solidity and a readiness to continue its growth strategy also ensure a good dividend-payment capacity. For the investor seeking long-term growth, Kyro represents an interesting investment.

# Mission, vision and strategy

Kyro's business operations help improve people's living environment and quality of life. The Group's financial success is based on the added value generated in this way. The Group's mission is to promote the development of a safe and attractive living environment through the advanced and innovative glass technology of Glaston Technologies.

Kyro's vision is to be the world's leading technology group in glass processing technology and related services in 2010, and to be even more expert and comprehensive in its chosen fields than it is now. The Group's growth strategy is focused primarily on developing the main business area, Glaston Technologies.

## 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.



# Information for the shareholders

## ANNUAL GENERAL MEETING

The Annual General Meeting of Kyro Corporation will be held on Thursday, 13 March 2007 at 4 p.m. at the Hilton Kalastajatorppa Hotel in Helsinki.

Shareholders entered in the company's register of shareholders maintained by Finnish Central Securities Depository Ltd on 2 March 2007 are entitled to attend the Annual General Meeting.

Shareholders who wish to attend the Annual General Meeting must inform the company by 4 p.m. on 8 March 2007 either in writing to Kyro Corporation, FI-39200 Kyröskoski, Finland or by telephone to +358 3 382 3072 or by e-mail to [terttu.uusitalo@kyro.fi](mailto:terttu.uusitalo@kyro.fi).

## DIVIDEND

The Board of Directors proposes that a dividend of EUR 0.09 per share, a total of EUR 7.1 million, be paid for the financial period 2006. The dividend will be paid to shareholders who are entered in the company's

register of shareholders maintained by Finnish Central Securities Depository Ltd on the date of record, which is 16 March 2007.

In accordance with the Board of Directors' proposal, the dividend will be paid on 23 March 2007.

## KYRO CORPORATION'S FINANCIAL REPORTING SCHEDULE DURING 2007

The financial statements were published on 7 February 2007 and the annual report will appear in Week 10.

## INTERIM REPORTS WILL BE PUBLISHED AS FOLLOWS:

- Interim report January-March 2007 on 9 May 2007
- Interim report January-June 2007 on 16 August 2007
- Interim report January-September 2007 on 7 November 2007

The annual report and interim reports are published in Finnish, Swedish and English.

Kyro's annual and interim reports can be ordered by telephone +358 9 5422 3300 or by e-mail from the address [kyro.helsinki@kyro.fi](mailto:kyro.helsinki@kyro.fi).

## ORDERING STOCK EXCHANGE RELEASES TO YOUR E-MAIL ADDRESS

You can order Kyro Corporation's stock exchange releases directly to your e-mail address. As soon as the releases have been published on the Helsinki Stock Exchange, they are sent automatically to those who have registered for the distribution service on the company's website [www.kyro.fi](http://www.kyro.fi).

# Kyro's share and business cycles

Kyro is a sound investment, because its earnings and sales are growing steadily.

## 1. Three strong market areas, different kinds of customer groups.

- Europe, Asia and the Americas balance each others' cyclical fluctuations.
- The business cycles of the construction, automotive and furniture industries even each other out.
- Building renovations smooth out cyclical variations in construction.

## 2. Exploiting leading market position

- Significance of strong brand is emphasised – market share increases in adverse economic conditions.

## 3. Local production units even out the effects of foreign exchange fluctuations and protect against trade barriers.

- Tamglass' natural foreign currency hedging from manufacturing on different continents.
- Bavelloni's manufacturing also becoming more decentralised.

## 4. Maintenance/service and tools business

- Comprehensive after sales services and predictive maintenance even out fluctuations in machine sales.
- Significance of second-hand machine upgrades and optional extras grows in adverse economic conditions.
- Tool business evens out cyclical fluctuations.

## 5. Customer structure – Any single customer's share of annual sales is generally no more than a few percents.

# Kyro in 2006

## KYRO GROUP

- Net sales EUR 268.9 (266.7) million
- Profit before taxes EUR 22.3 (21.9) million
- Comparable operating profit EUR 22.0 (23.09) million
- Profit for the financial year EUR 12.1 (22.4) million
- Earnings per share EUR 0.15 (0.28), equity per share EUR 1.75 (1.76)
- Financial position excellent, equity ratio 62.2% (64.4%), gearing -2.2% (-17.1%)
- Group order book at year end EUR 127.5 (140.7) million
- Number of employees at year end, 1,211 (1,222)
- Board of Directors' dividend proposal: EUR 0.09 per share

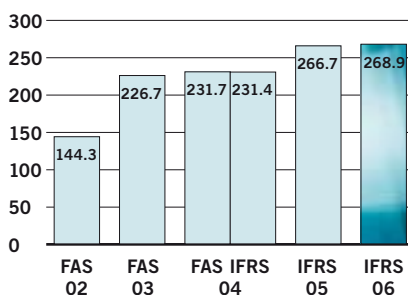
## GLASTON TECHNOLOGIES

- Net sales EUR 234.7 (238.9) million
- Operating profit EUR 18.1 (18.4) million
- New machine orders EUR 175.9 (177.8) million
- Order book at year end EUR 111.2 (108.8) million
- Delivery volumes less than previous year and costs resulting from new products reduced the Glass Machinery Group's net sales and profitability.
- Tamglass Glass Processing's market situation was positive throughout the year, profitability improved but remained unsatisfactory.
- Overall, the general market situation for glass processing machines was positive in 2006.
- The maintenance agreement book for safety glass machines grew 16%, total growth of maintenance and service business for pre-processing machines was more than 19%, tool sales grew slightly.
- Sales of the One-Stop-Partner concept, i.e. joint deliveries and combinations of pre-processing and safety glass machines, reached EUR 18.8 million, exceeding targets and the previous year's total (12.0).

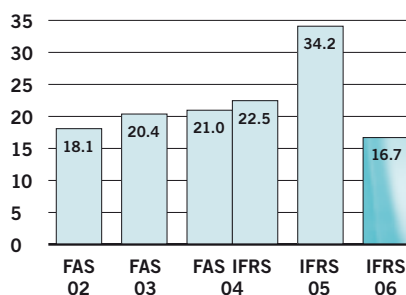
## ENERGY

- Net sales EUR 34.1 (27.6) million
- Comparable operating profit EUR 6.5 (6.4) million
- Order book at year end EUR 16.3 (31.9) million; the halving of the order book is explained by the expiry in summer 2007 of significant delivery agreements that are included in the order book.
- At the end of September, Kyro signed with M-real Corporation an agreement by which Kyro has the right to sell and M-real the right to buy Kyro Power's gas-fired combi power plant and associated business operations in summer 2007.

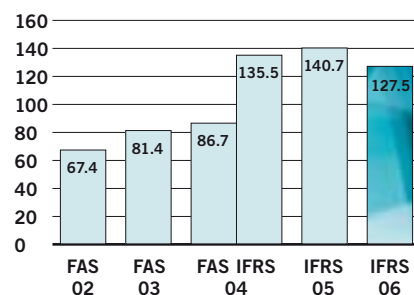
NET SALES, EUR MILLION



OPERATION PROFIT BEFORE TAXES, EUR MILLION



ORDER BOOK 31.12, EUR MILLION



# Main events in 2006

## JANUARY

Kyro Group founds a new tool company to complement its main business area, Glaston Technologies. DiaPol S.r.l. manufactures tools for glass and stone pre-processing.

## MARCH

Tamglass Finton Oy, part of Glaston Technologies' Glass Processing Group, launches a restructuring process aimed at improving its profitability and operational efficiency. As part of measures to be undertaken during the spring, Tamglass Finton Oy initiates statutory employer-employee negotiations covering all of its personnel.

## APRIL

Kyro Corporation's main business area, Glaston Technologies, organises a Glass Processing Days conference in Beijing, China, on 23-24 April.

## MAY

Tamglass Finton Oy, the balcony systems supplier belonging to Glaston Technologies' Glass Processing Group, brings to a conclusion statutory employer-employee negotiations on its new operating model. The company's new operating model is product

sales, as a result of which Tamglass Finton's own installation business is discontinued.

## JUNE

Glaston Technologies expands its machine production in China with the start of operations at a production facility constructed in Tianjin. The assembly plant is the first Glaston Technologies production facility that will manufacture both Tamglass safety glass machines and Bavelloni pre-processing machines.

## JULY

The glass pre-processing machine manufacturer Bavelloni S.p.A, part of Glaston Technologies, announces that it will initiate in September an operational efficiency programme in Italy. The objective of the programme is to improve Bavelloni's profitability as the basis for future growth in accordance with strategy.

## SEPTEMBER

Kyro reaches an agreement with M-real Corporation on the possible sale of its energy business operations. Under the agreement, Kyro has the right to sell its energy operations to M-real Corporation and cer-

tain properties to M-real and Metsäliitto in summer 2007.

## OCTOBER

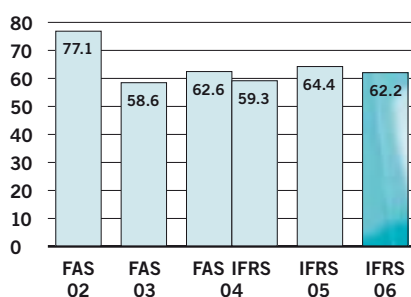
Kyro announces that its President and CEO will change at the end of the year. Mika Seitovirta M.Sc.(Econ.) is appointed as the Group's new President and CEO. Pentti Ylihelo, who has served as Kyro's President and CEO since 1996, will retire from the company in June 2007.

Glaston Technologies participates successfully in the glass industry's biggest event, the Glasstec 2006 Fair in Düsseldorf, held from 24 to 28 October. Glaston achieves record sales in connection with the event.

## DECEMBER

The Glass Processing Group's three companies, Tamglass Safety Glass Ltd, Tamglass Insulating Glass Oy and Tamglass Finton Oy, will merge into a single company at the end of the year. The name of this comprehensive supplier of glass products will be Tamglass Glass Processing Ltd, the name already used by a unit of the Group.


## EQUITY RATIO, %



## KEY FIGURES

	1-12/2006	1-12/2005
Return on invested capital, %	12.1	26.1
Return on equity, %	8.7	17.1
Equity ratio, %	62.2	64.4
Gearing, %	-2.2	-17.7
Equity per share, EUR	1.75	1.76
Investments, EUR million	12.0	11.4
Personnel at end of year	1211	1222
Personnel (average)	1264	1218
Order book, EUR million	127.5	140.7
New machine orders	175.9	177.8



A close-up, rear-quarter view of a silver SUV. The image shows the rear window, a large red taillight, a black license plate with the number '38', and the rear bumper. A semi-transparent grey box with white text is overlaid on the rear window area. The background is a clear blue sky.

Nearly 100% of automotive glass is already safety glass. Its use is still increasing, however, due to growth in the number of cars and other vehicles. In addition, the proportion of glass in vehicles is growing and increasingly more demanding shapes are becoming more popular.



Consumers want more distinctive models of car. Using Glaston Technologies' automotive glass machines, glass processors can produce large series of glasses as well as small series required for more distinctive designs.

# President's review

The Kyro Group's comparable net sales and profit rose in 2006 to the previous record year's level, even though safety glass machine business was exceptionally slow in the early part of the year. At the same time we increased our market share in glass machines and implemented Glaston's largest development programme to date: a record number of new technology products, a large new factory in China, and efficiency programmes in Bavelloni and Glass Processing Group. A financially and commercially successful final quarter indicates the future significance of these programmes.

## GLASTON IS DEVELOPING GLOBALLY

In 2006 demand for processed glass products grew in North and South America, Asia and the Middle East. In Europe, too, there is signs of a rekindling of the market after a couple of quiet years. There has been a shift in demand to more demanding processed glass products, e.g. energy glass, and every glass processor must be able to react to this with better manufacturing technology. Glaston's machines are aimed at the quality manufacturing of these products with technology and capacity levels adjusted for each market.

Although the market for processed glass products is growing rather uniformly throughout the world, demand for machines varies both geographically and between product segments, differing also from general economic conditions. In 2006 machine sales were limited particularly by weak demand in Europe and by an exceptionally modest rate of investment worldwide for automotive glass machines.

In a changing environment, service-oriented global operations protect us from fluctua-

tions of demand and currency. Our sales and maintenance network is the most extensive in the business and we are strengthening it year on year. In addition to Europe, Tamglass also has manufacturing in North and South America, where also Bavelloni is already established. Our position in Asia will be strengthened by our new factory, which will provide space for growth in the production of safety glass machines, pre-processing machines and tools as well as maintenance business.

## INNOVATIVE TECHNOLOGY BRINGS SUCCESS

A year which began cautiously accelerated towards the end. Glaston's market share grew, which shows that there is always a need and demand for high technology. In October we made record sales at the year's biggest fair, Glasstec in Düsseldorf, where the greatest interest and demand was directed at the most recent technology. The substantial investments in our technology leadership are thus therefore paying off.

At the beginning of this year, I assumed the leadership of a fine company: a global market leader that has the will and capacity to grow. I believe that in order to be profitable and to grow, a company must create value around it.

Producing added value for the customer is vital. Our task is to sell reliability and quality – products and services that improve our customers' capacity to conduct profitable business. An excellent example of this is our One-Stop-Partner concept. Glas-

ton creates added value for the customer, because comprehensive deliveries enhance the customer's efficiency. We will continue to invest strongly in this key area.

The product development investments made in recent years will reinforce our leadership in technology. We will reap the harvest in the coming years by developing our customer service, with which we will also create value for our customers. We will, moreover, increase both customer and company value by developing our growing



Mika Seitovirta



This gives positive prospects for Glaston from this point forward. The Glasstec fair success also demonstrated that Bavelloni is taking steps towards the same leadership in technology and markets that Tamglass already enjoys. This will be boosted by joint sales of the companies' One-Stop-Partner combinations, which grew by over 50 per cent in 2006.

#### COMPETITIVENESS FROM IMPROVED EFFICIENCY

A successful company must constantly ensure that it does the right things in the most efficient way. Improving competitiveness is the goal of Bavelloni's efficiency programme, which includes such means as the centralisation of production and warehousing operations, the streamlining of processes and product range, and the reduction of labour costs.

Our Glass Processing Group outsourced its balcony systems distribution and installation business to a partner network, focusing itself on development and manufacturing. At the same time, the entire glass processing organisation was merged into one single company. Tamglass Glass Processing is now a more competitive entity, which we continue to develop through investments during the current year.

The efficiency gains made in Glass Processing and Bavelloni will generate millions of euros in annual savings for the Group from this year on. Tamglass and Uniglass, moreover, are improving the efficiency of their delivery chains.

maintenance business and by strengthening the Glaston brand.

The expertise and teamwork of Kyro personnel create an enduring competitive advantage that cannot be copied. Shifting our focus to customer service work means, among other things, developing a new kind of expertise. By being better in selling, marketing and service we will raise our own value. In addition, we have the internal challenge of creating an integrated operating model and culture; to be a winning team.

To improve the competitiveness of the Energy business area, we sold our hydro-power operations in 2005. In September 2006 we signed with M-real Group an agreement by which M-real has the right to buy and Kyro the right to sell our gas-fired power plant in the summer 2007. If this is realised, Kyro equals more clearly its main business area, Glaston.

#### FACING FUTURE CHALLENGES WITH FRESH FORCES

The glass industry has started 2007 on an active note and the sector's most influential figures will again convene this June at the Glass Processing Days conference in Tampere.

Glaston is the clear market leader, with products representing the best the industry has to offer, the most extensive network and the most professional organisation. The prerequisites are good for continuing profitable growth that is faster than the industry as a whole. Our strong balance sheet provides a strong foundation from which to supplement organic growth with acquisitions.

As I now retire after 15 years' service in Kyro Group, I wish to express my heartfelt gratitude to every employee, customer, shareholder and partner for the fascinating journey we have shared in the world of glass technology.

*Pentti Yliheljo*

**Pentti Yliheljo**

President and CEO up to 31 December 2006

By attaining our twin goals of improved profitability and growth, we will produce a long-term increase in shareholder value.

I believe that we can create in future more value on all fronts – for customers, products and services, personnel and shareholders alike!

*Mika Seitovirta*

**Mika Seitovirta**

President and CEO as of 1 January 2007



Pentti Yliheljo

# Glaston Technologies

## Glass Machinery Group

Glaston Technologies' Glass Machinery Group is the global market and technology leader in safety glass machines, and it has the glass processing industry's widest product range and service network.

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

Glaston Technologies operates in a growing sector that demands increasingly advanced technology; it is, moreover, that sector's leading supplier. The use of glass in buildings, vehicles, appliances and furniture is growing steadily. Glass is an environmentally friendly, recyclable material that creates a bright and pleasant living environment.

Advanced glass products with high added value increase safety and save energy.

### GLASTON'S BUSINESS ENVIRONMENT

The Glass Machinery Group's customers are glass processors delivering glass products to the architectural, automotive, and furniture and appliance industries worldwide. They range from locally operating firms all the way to the sector's largest global companies.

Around 43 million tonnes of float glass was produced in the world in 2006. Of this, an estimated 70 per cent was used in the building industry, around 10 per cent in the automotive industry and around 20 per cent in furniture, appliances and other special applications.

Of all the float glass produced, around 40 per cent was processed into safety glass. Around one half of this, in turn, was tempered using Glaston's machine technology.

Globally, Tamglass and Uniglass have a combined market share in glass tempering machines of more than 50 per cent. Bavelloni's global market share in glass pre-processing machines is 10-15 per cent.

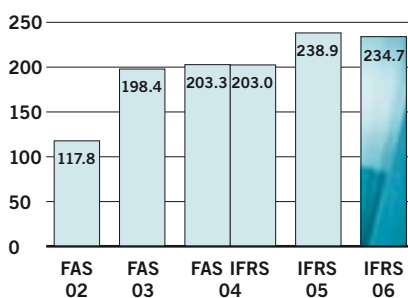
The performance and technology demands of the business environment, namely Glaston's customer sectors, are continually developing. Glass architecture and automotive glass design require an increasingly higher level of glass processing technology, i.e. safety glass and pre-processing machines.

### GROWTH OPPORTUNITIES WITH HIGH TECHNOLOGY MACHINES

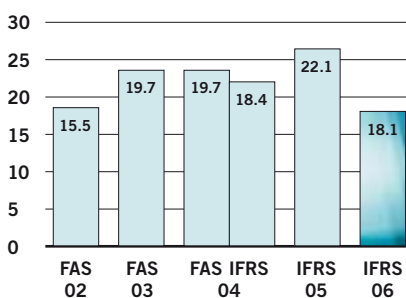
Automotive glass everywhere is, in practice, safety glass. Growth opportunities exist for safety glass technology above all in architectural glass. An estimated 30 per cent of architectural glass was processed into safe-

#### GLASTON TECHNOLOGIES

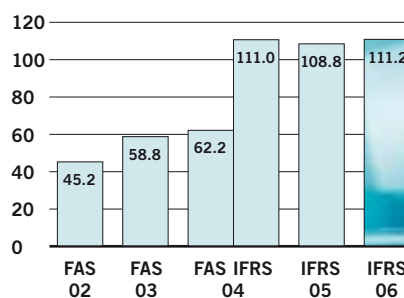
##### NET SALES, EUR MILLION



##### OPERATING PROFIT, EUR MILLION



##### ORDER BOOK 31.12, EUR MILLION

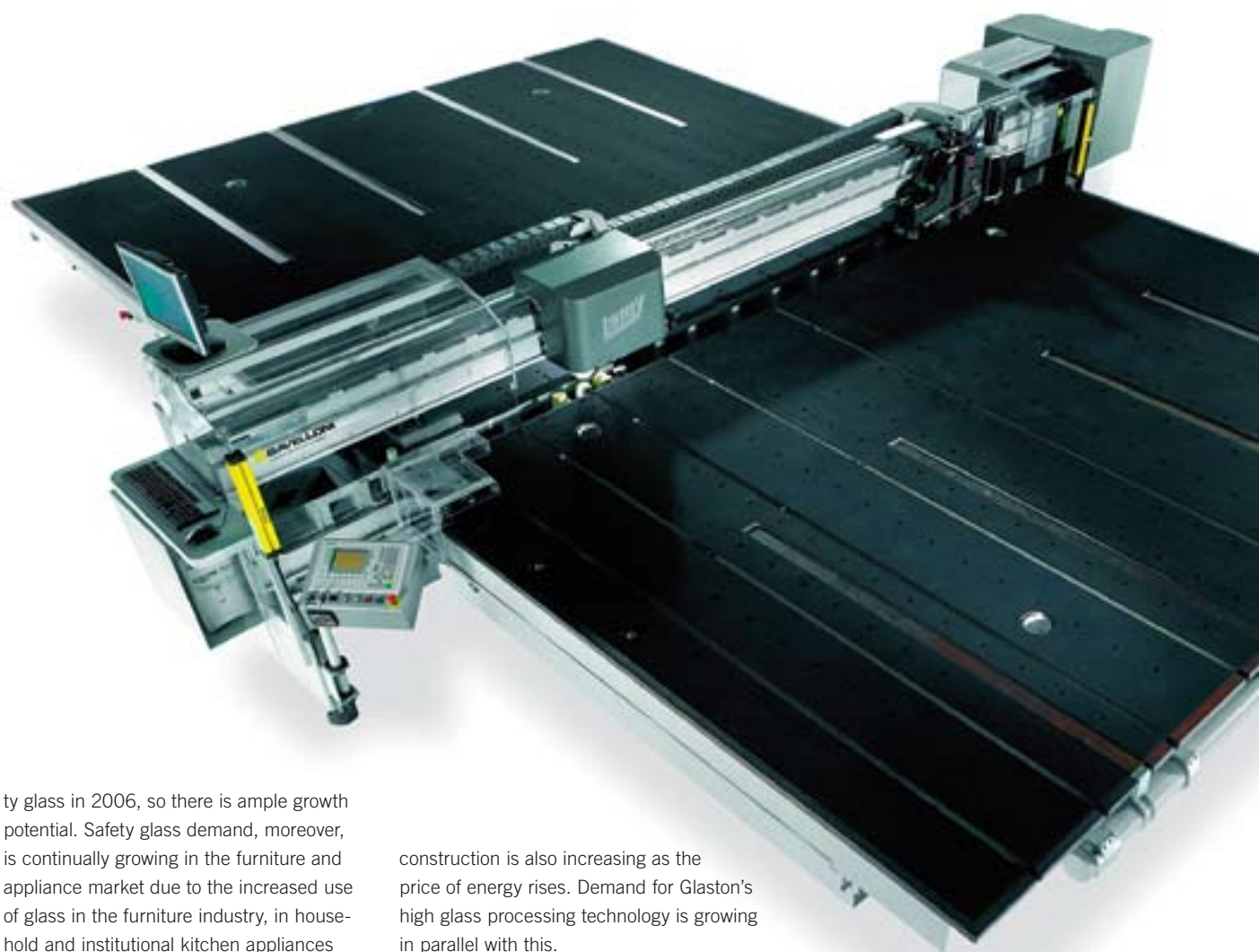


#### WHAT IS SAFETY GLASS?

Float glass is processed into safety glass by tempering or lamination. In the tempering process, the glass is heated nearly to melting point and then cooled quickly, whereupon a compression stress is created in the surface of the glass that increases the durability of the glass five fold. In the event of tempered glass

breaking, it disintegrates into small, harmless pieces.

In the lamination process, sheets of float or tempered glass are bonded together using PVB (polyvinyl butylene) film. Glass strengthened by lamination remains attached to the plastic film when it breaks, and it stays in its frame.



ty glass in 2006, so there is ample growth potential. Safety glass demand, moreover, is continually growing in the furniture and appliance market due to the increased use of glass in the furniture industry, in household and institutional kitchen appliances and, for example, in flat-screen televisions.

The proportion of safety glass in our built environment is increasing year on year. This is due, above all, to a greater need for security as well as tighter building regulations. The proportion of new glass types, such as coated energy-saving glass, used in

construction is also increasing as the price of energy rises. Demand for Glaston's high glass processing technology is growing in parallel with this.

Energy glazing can be used to reduce buildings' carbon dioxide emissions. Glass energy-efficiency symbols are already in use, for example, in the UK, Denmark, the United States, Australia and Germany. In Finland the symbols will become compulsory within the next few years.

Bavelloni's Lamy pre-processing machine is a cutting table for laminated glass.

#### ENERGY GLASS REQUIRES HIGH-TECHNOLOGY MACHINES

- Energy glass is glass with an energy-saving coating that reflects thermal radiation.
- Energy glass processing on challenging, so it requires high-technology processing machines all the way from pre-processing to safety glass manufacturing.
- The energy glass coating is invisible, soft and susceptible to scratching.
- Energy glass can be processed into safety glass or bent into curved glass surfaces using special high-technology glass processing machines.
- Energy glass is used mainly in architectural glazing, but increasingly also in automotive glazing.
- In line with the energy glass trend, glass added value and the machine manufacturing market have grown in recent years.
- Energy glass construction cuts buildings' heating costs significantly and reduces carbon dioxide emissions.
- The most advanced countries in energy glass construction are the United States and the UK.



# Glaston Technologies

## Glass Machinery Group in 2006

In 2006 the general market situation for glass processing machines was good and demand grew, particularly towards the end of the year. Glaston Technologies brought to a growing market new technology that was immediately very well received.

Overall, the general market situation for glass processing machines was positive in 2006. The number of new pre-processing machine orders grew in the EMA, the Asia-Pacific area and in South America. The volume of safety glass machine orders was slightly lower than the previous year in all the main market areas, except for South America. In the fourth quarter, sales in the EMA area and Asia grew strongly.

Investment decisions on safety glass machines were postponed, particularly in Europe, at the beginning of the year. Although the number of new orders grew towards the end of the year, the total was less than the previous year. The volume of new orders for pre-processing machines grew slightly. The offer book, i.e. demand, for both Bavelloni pre-processing machines and Tamglass safety glass machines was high throughout the year.

Sales at Uniglass Engineering, which focuses on flat tempering machines, were at the previous year's level in 2006. Uniglass, which celebrated its 10th anniversary in June, delivered its one hundredth high quality flat tempering machine in February 2006.

### ONE-STOP-PARTNER SALES EXCEED EXPECTATIONS

Safety glass machine orders in the architectural segment picked up after a lacklustre start to the year. New orders for safety glass machines in the automotive segment grew towards the end of year, but overall their sales fell clearly short of the previous year's level.

Sales of joint deliveries and combinations of pre-processing and safety glass machines (the One-Stop-Partner concept) exceeded targets by the third quarter as well as the previous year's level, and totalled EUR 12 million. The OSP order intake at the

end of the year totalled EUR 18.8 million. Most OSP orders were received from the Middle East.

### MANUFACTURING STRENGTHENED IN CHINA

Demand for Glaston's tools also increased in 2006. Glaston's market share grew, and it launched a number of new tool products during the year. Manufacturing that started in Brazil began in line with targets. Manufacturing will also begin in China in 2007. Measures will be taken to improve local service levels and cost-effectiveness.

A new Glaston factory, which will manufacture tools as well as pre-processing and safety glass machines, started operating in Tianjin, China in the summer.

### RECORD FAIR SALES

Glaston Technologies presented its most significant new products of the past year at the

### PROGRESS OF THE GLASS MACHINERY GROUP'S STRATEGY IN 2006

- Glaston Technologies' Glass Machinery Group increased its market shares in line with strategy in 2006.
- Glaston Technologies is the global technology leader in its field and it invests continually in product development to increase its technology leadership. A number of significant new products were brought to the market in 2006.
- One-Stop-Partner concept sales have exceeded targets as well as the previous year's level.
- The scope of sales and the production network expanded further. Maintenance/service and tools business are steadily growing segments.
- Bavelloni's sales have developed during 2006 towards larger pre-processing machines, the architectural segment and Tamglass/Bavelloni joint deliveries under the One-Stop-Partner concept.
- Bavelloni's position has strengthened, particularly in cutting and grinding technology, and its market share in grinding machines has increased.

industry's most important event, the Glasstec Fair in Düsseldorf. In connection with the fair, Glaston Technologies agreed a record amount of new orders, valued at EUR 27.8 million. Orders were also received for new products supporting the One-Stop-Partner concept.

#### NEW PRODUCTS

The first deliveries of products launched in 2005, such as Bavelloni's new pre-processing lines, were scheduled for late 2006, and Glasstec Fair sales correspondingly for 2007. Of the new products, deliveries of the Tamglass Sonic flat tempering machine and the VX-Magnum pre-processing line, among others, began on the second half of 2006.

#### New safety glass machine products from Tamglass:

- *Sonic flat tempering machine.* Deliveries of the world's fastest flat tempering machine began in 2006.

- *SuperT flat tempering machine.* In 2006 Tamglass expanded its product range in Asia by introducing a new flat tempering machine.
- *APC (Automatic Process Control)* – At the Glasstec 2006 Fair in October, Tamglass launched the industry's first fully automatic process control system for flat tempering machines.

#### New pre-processing machines from Bavelloni

- *VX grinding lines.* The new lines, which came on sale in 2005, started operating in 2006.
- *Syncro and Lamy cutting machines.* In October 2006, Bavelloni brought to the market new products for the cutting of both raw glass and laminated glass.

#### Other new products at Glasstec:

- *NRG – a high capacity CNC centre.*
- *The PowerSeam edge grinding line* is superfast.

#### MAINTENANCE AND SERVICE BUSINESS

Glaston Technologies' maintenance and service business is an important priority area, and a target for strong investment once again in 2006. The following areas of the maintenance and service business grew in 2006: maintenance agreements, modernisations and accessories, and spare parts.

During the Glasstec fair, Bavelloni introduced its first maintenance agreement model, which means that Glaston now offers maintenance agreements for both pre-processing and safety glass machines. Easy Life, a maintenance and service concept offered by Tamglass and Bavelloni, is the only one of its kind in the business and thus a significant competitive advantage. Bavelloni's sales of spare parts and other maintenance products grew during the year.

Tamglass Sonic™ cuts glass at world record speed. The Sonic is especially tailored to manufacture low emissivity (Low-E) glass products, whose market share in window and architectural applications is growing strongly.



# Glaston Technologies

## One-Stop-Partner concept

The significance of the One-Stop-Partner (comprehensive supplier) concept, which originated in connection with the acquisition of Bavelloni in 2003, grew further in 2006. Joint deliveries of pre-processing and safety glass machines, and combinations thereof, exceeded targets.

Glaston Technologies' One-Stop-Partner concept brings together Bavelloni's pre-processing machines and Tamglass' safety glass production lines. The concept enables customers to obtain products covering the entire glass processing chain as well as an integrated service from one supplier. The OSP concept also answers customers' increasing demands for production efficiency and flexibility.

The integration of safety glass and pre-processing technology began after the Bavelloni acquisition, because Glaston Technologies' long-term objective was not only to be a comprehensive supplier, but also to offer mutually integrated glass processing lines, which to date no-one else in the industry had been able to deliver.

In 2005 OSP product development progressed to a concrete level when Glaston launched the first integrated pre-processing and flat tempering line. In 2006 these new lines advanced to customer deliveries, and new integrated OSP products were brought to the market at the glass processing industry's biggest event, the Glasstec fair in Düsseldorf.

### DEMAND FOR OSP DELIVERIES GROWING

The comprehensive supplier strategy has proved to be the correct choice, because demand for OSP products has grown beyond expectations. An OSP order may typically be, for example, a joint delivery of pre-processing and safety glass machines or an integrated line consisting of pre-processing and safety glass machines.

One of the year's most demanding OSP orders was delivered to the ERTL Glas, Europe's leading processor of laminated and tempered glass. The delivery included Bavelloni's new integrated edge grinding and CNC machine tool line as well as a Tamglass flat tempering machine suitable for the latest energy glass coatings.

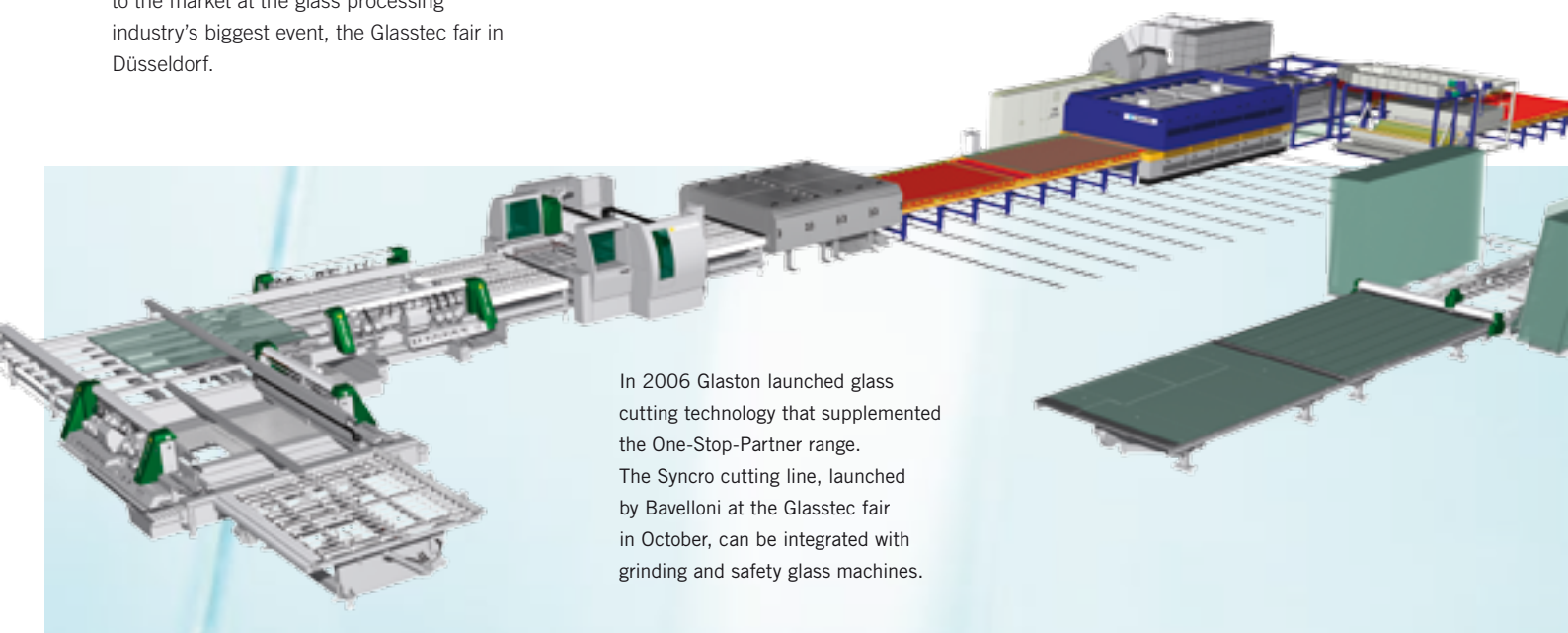
The order intake for OSP products had already exceeded the 2005 level, 12 million euros, by August 2006. Moreover, the Glaston order intake received in August, the second largest ever, included OSP orders amounting to 5.1 million euros.

### FAIR SUCCESS IN OCTOBER

At the Glasstec Fair in October, Glaston agreed a record amount of new orders, valued at 27.8 million euros. The order intake included many new OSP products just launched at the fair. OSP orders were strongly weighted towards Glaston's strategic priority area, architectural industry glass processing machines.

The OSP order intake for the whole of 2006, 18.8 million euros, exceeded both the previous year's level as well as set targets. OSP sales accounted for eight per cent of Glaston's net sales in 2006.

As a consequence of long-term work, OSP or Glaston has become the world's leading comprehensive supplier of glass processing machines and lines, and targets for 2007 have been set once again at a justifiably high level.



In 2006 Glaston launched glass cutting technology that supplemented the One-Stop-Partner range. The Syncro cutting line, launched by Bavelloni at the Glasstec fair in October, can be integrated with grinding and safety glass machines.

# Glaston Technologies

## Maintenance and service business

Maintenance and service business, which also supports the One-Stop-Partner concept, is a significant competitive advantage for Glaston Technologies. In 2006 the business developed and again grew substantially.

The delivery time and efficiency demands of Glaston's customers, namely glass processors, are tightening and still higher quality is expected from end products. This requires glass processing machines to display good usability and operational reliability. Glaston creates long-term customer relationships by offering customers predictive maintenance services at all stages of the life cycle of its machines.

Today, the different areas of maintenance and service business account for more than 20 per cent of Glaston's net sales. The annual growth target for this business segment is more than 10 per cent.

In 2006 the following areas of Glaston Technologies' maintenance and service business grew: maintenance agreements, modernisations and accessories, and spare parts. Sales of used machines were low and, when these are included, the overall growth in maintenance and service business was less than one per cent. Excluding sales of used machines, however, overall growth was eight per cent. The maintenance contract book for safety glass machines grew by 16%. Growth in maintenance and service business for pre-processing machines was over 19%.

### THE INDUSTRY'S MOST COMPREHENSIVE NETWORK AND SERVICES

It is important for a glass processing machine supplier to be close to the customer. Glaston has built the most extensive maintenance and service network in the industry. It currently has 27 operating locations, and around 250 maintenance and service staff, in all the main markets around the world.

Maintenance contracts are the single most important maintenance and service product group. Tamglass currently has around 500 customers with long contracts for the regular, predictive maintenance of safety glass machines. Maintenance contracts are also offered for machines that are already installed. Other maintenance services include, for example, consulting and customer training, remote monitoring and diagnostics, and installations and spare part deliveries.

The second significant service product group comprises modernisations and accessories, which extend the economic life of machines. Modernisations may consist, for example, of control system updates, by which customers' previously installed safety glass machines can be enhanced to meet the latest demands of the market. Of the accessories, processing of coated glass, mainly

energy glass, is one of the most important. Tamglass is the only safety glass machine manufacturer that can modernise its customers' machines to make them suitable for the challenging processing of energy glass.

### MAINTENANCE AND SERVICE ALSO FOR PRE-PROCESSING MACHINES


Maintenance and service business has been a separate unit in Tamglass since 1990. Bavelloni, on the other hand, started to develop this area of business into a separate entity in 2005, at which time the productisation of pre-processing machine services also began. In 2006 Bavelloni introduced to the market a service product developed according to the Tamglass model, the Easy Life maintenance contract. Bavelloni now sells maintenance, consulting and spare parts contracts in connection with new machine deliveries.

The growth potential for Bavelloni's maintenance and service business is great, among other things, because in contrast with Tamglass, Bavelloni can also in future offer maintenance for its competitors' machines. Bavelloni's technological expertise is strong, and its competitors, too, have a large stock of installed machines.




Maintenance and consulting agreement business is growing well. The pictured convection blower units, located outside the furnace, speed up and facilitate maintenance.





Around half of the world's energy is used for the heating or cooling of buildings. Coated energy glass, which depending on the conditions keeps heat inside or outside, can help restore the world's energy balance significantly and facilitate billions of euros in savings.



For Glaston Technologies, energy glass is now and will continue to be in the future an important driver of growth, because energy glass will generally be tempered. Glaston's machine technology for energy glass processing is the most advanced in the world.

# Glaston Technologies

## Tamglass Glass Processing

Glaston Technologies' Glass Processing Group is Finland's leading comprehensive supplier of architectural glass. The group consisted in 2006 of the safety glass manufacturer Tamglass Safety Glass, the insulating glass element producer Tamglass Insulating Glass and the balcony systems supplier Tamglass Finton.

At the end of the year, the companies of the Glass Processing Group were merged into one company, namely Tamglass Glass Processing Ltd. The company manufactures tempered and laminated safety glass, balcony glazings, and insulating glass elements for the building and specialty automotive industries. The company's business areas are Window and Furniture Glass, Architectural Glass and Specialty Automotive Glass. Tamglass Glass Processing's customers include construction and glazing firms, window and door manufacturers, and automotive, household appliance and furniture companies, mainly in Finland.

Tamglass Glass Processing Ltd plays a key role in the product development of Glaston Technologies' glass machine manufacturing. The company, among other things, trains safety glass machine customers and tests the Glass Machinery Group's new products, channelling ideas into technology development. Owing to the Glass Machinery Group's advanced technology, Tamglass Glass Processing is also able to meet, for example, the growing demand for energy glass.

### POSITIVE MARKET SITUATION

Tamglass Glass Processing's market situation was good throughout 2006. Demand was increased mainly by the market for

**"FUTURE IMPROVEMENTS IN PRODUCTIVITY** will help us reach our development goals."

**Claus Carlsen**  
Managing Director  
Tamglass Glass Processing Ltd



architectural glass, the largest business segment, which was boosted by the large volume of the building sector in Finland. Tamglass Glass Processing increased its share of the safety and insulating glass market in Finland.

At the same time, the company's specialty automotive glass exports to Europe increased, and it received, among others, two significant new customers, the agricultural machine manufacturer Case New Holland and the cabin manufacturer Fritzmeier.

### A YEAR OF GREATER EFFICIENCY AND INTEGRATION

During 2006 Tamglass Glass Processing initiated measures to fulfil its development goals, which are growth, the improvement of profitability, and better competitiveness. As a result, the year was one of production and administrative simplification.

Tamglass Finton's operations were

restructured such that it discontinued its own balcony systems installation activities. The company's high quality products are now distributed through a partner and installation network.

At the same time, Tamglass Safety Glass and Tamglass Insulating Glass operations were combined, because the companies had many synergies to utilize. In addition, the efficiency of both companies' production and administration was improved, leading to a reduction in fixed costs, for example, personnel reductions. The productivity of factories and machinery was also improved. At the end of the year, all three companies were merged into a more efficient and more competitive entity.

To further improve its competitiveness, Tamglass Glass Processing decided at the end of the year on the machine investments that it will make in 2007. These investments will boost reliability and productivity in the future.



Tamglass Glass Processing supplied glass to the Ideapark business city, which has opened near Tampere.



# Energy

## Kyro Power

Kyro's second business area consists of Kyro Power Oy, which produces electricity and heat at its gas combi power plant, situated in Hämeenkyrö.

Sustainable development and responsibility for a clean environment are fundamental to Kyro Power's operations. The company's environmentally friendly energy production is based on the efficient cogeneration of electricity and heat at its gas combi power plant. The Kyro Power gas-fired plant's thermal capacity is more than 100 megawatts. Its overall efficiency of over 80 per cent is indicative of the efficiency and environmental friendliness of the plant's operations. The power plant has had an ISO 14001 environmental certificate since 2003.

The main fuel of the gas combi power plant is clean natural gas. When the second Kyoto period begins in 2008, the benefits of cogeneration of electricity and heat based on the combi process will be further highlighted. Because the main fuel of the gas combi plant is low-emission natural gas, its carbon dioxide emissions are low compared to other energy generation processes based on fossil fuels.

A significant part of the energy of the gas burned in the gas turbine is recovered as electricity, steam and district heat. To ensure continuous production, the company has a back-up gas-fired plant, which can also use oil as a substitute fuel.

### PRICE OF EMISSIONS RIGHTS FLUCTUATES

Emissions trading had a strong impact on the predictability and pricing of the energy market in 2006, as was the case the previous year. The volatile price fluctuated from

**"FOR THE ELECTRICITY MARKET** emissions trading is a new factor comparable to the water situation in terms of its predictability."

**Esa Kujala**  
Managing Director  
Kyro Power Oy



over 30 euros to six euros per tonne. At the beginning of the year and in the spring, the price reached its highest levels, with the market price of electricity fluctuating correspondingly. Later in the spring the price of emissions rights fell, when the previous year's emissions proved to be lower than the rights distributed in Europe. In the autumn, prices fell further as warm weather and higher rainfall in the latter part of the year led to savings in fuel and emissions rights.

Despite this, the weak water situation in Scandinavia at the early part of the year kept the price of electricity rather high. During the dry, hot summer the price of electricity reached a historically high level for the time of the year, but the rainy, warm autumn brought prices down again.

The rise in energy prices increased Kyro Power's net sales throughout the year. At the same time, however, a change in the gas tariff and a rise in oil prices increased the price of natural gas, the company's main fuel, which reduced relative operating profit's share of net sales.

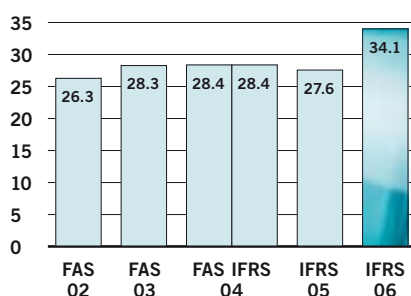
### PARTNER PROJECT AGREEMENT

The Energy business area's Partner project, initiated in October 2004, made a significant advance in 2006. The project's purpose is to find for the energy business area partnership or ownership arrangements that will promote its competitiveness. In December 2005, Kyro Power sold its hydropower operations to Kyröskosken Voima Oy and its district heat distribution company to Lepäkosken Sähkö Oy.

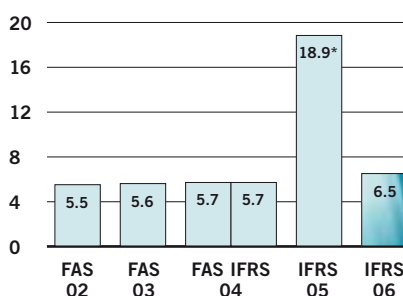
In September 2006, Kyro signed with M-real Corporation an agreement by which Kyro has the right to sell and M-real the right to buy Kyro Power's power plant and associated business operations in summer 2007. The parties concerned will provide further information on the agreement closer to its possible implementation.

Kyro Power's most important supply contracts with M-real and Finnforest expire at the same time as the business arrangement may possibly be fulfilled.

### NET SALES, EUR MILLION

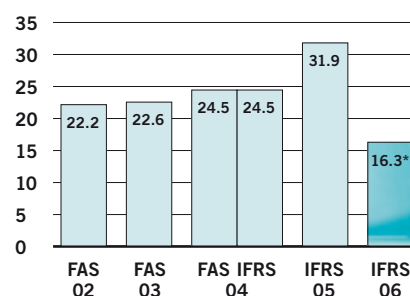


### OPERATING PROFIT, EUR MILLION



\* Includes sales profit of EUR 12,5 million.

### ORDER BOOK 31.12, EUR MILLION



\* Halving of the order book is explained by significant agreements included ending in summer 2007.



# Personnel

In the Kyro Group, networking and expertise sharing are perceived to be the best ways of developing human capital. In 2006, the development and training of personnel mainly took place in the spirit of sharing skills and learning from others. Most training has been in the form of in-house courses given by Kyro's own experts.

## MARKET LEADER STATUS BASED ON PERSONNEL EXPERTISE

The Kyro Group's success is based on motivated and expert personnel. The development of expertise is based on strategic skills areas and tools, which are defined in a human resources strategy. In connection with annual development and competence appraisals, current skills are surveyed and a personal development plan prepared for every employee. Systematic competence surveys and the communication of a vision and strategy ensure that competence development is precisely targeted and that it also takes into account future skills needs.

In 2006 around 3,000 days of training were recorded in the Kyro Group. Most of the training involved internal products and processes as well as orientation and sales. The Glass Processing Academy, a continuous training concept established at the end of 2005, started its first training courses in the year under review, and by the end of the year personnel in Finland and Italy had attended a total of around 400 training days. The Glass Processing Academy focuses on technical training for the industry's most extensive product range and on sales and customer management skills. Training courses serve the entire global organisation

and provide an excellent forum for sharing expertise throughout the Group.

In Tampere, Kyro is actively involved in the Tampere Business Campus, a regional competence development network. The network has expanded in five years to become an active forum of over 30 companies for sharing expertise and learning from others. The priorities of the Campus development programmes are productivity, management and supervisory work, internationality and mentoring. Kyro is also participating in an intangible capital development project with the Tampere Business Campus and Tampere University of Technology, the objective of which is to create indicators and a reporting model for intangible capital.

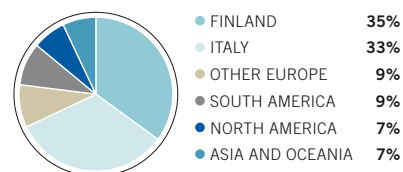
## COMMON PRACTICES FACILITATE DEVELOPMENT OF THE ENTIRE ORGANISATION

During the year under review, the Kyro Group introduced the eHR information system, which as well as managing personal data also serves as a competence management tool. During the year, all personnel were trained to use the system. The system supports the global standardisation of human resources practices. Common procedures have also been introduced,

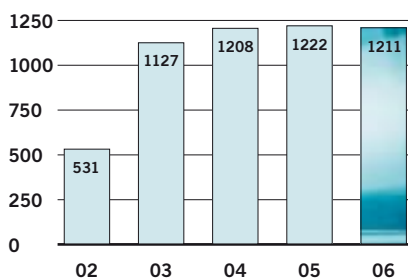
for example, into the areas of recruitment and payroll. The next step in the standardisation of practices will be the expansion of a suggestions scheme to cover the entire international organisation.

An initiative scheme is an excellent way to involve and encourage personnel to develop products and operations and to save costs. Additional joint online practices and eTools will be introduced in, among other areas, recruitment, orientation and competence development. eLearning environments covering the bending tempering, flat tempering, lamination and windscreen bending processes have been made available to all personnel on the Group's intranet. Network-assisted training and the sharing of knowledge brings speed and efficiency to the development of an international organisation.

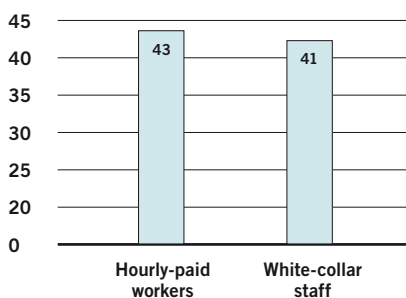
## GEOGRAPHICAL DISTRIBUTION OF PERSONNEL



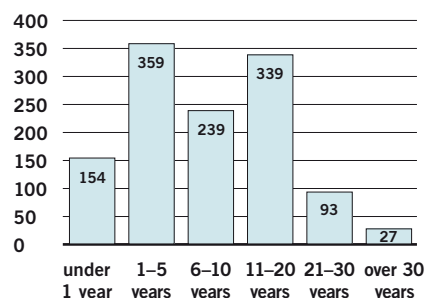
## PERSONNEL DEVELOPMENT



## EMPLOYEES' AGE DISTRIBUTION, AVERAGE



## EMPLOYEE'S YEARS OF SERVICE



## Corporate social responsibility

### SOCIAL RESPONSIBILITY

Kyro Group is committed to following the principles of social responsibility, and it supports and respects the rights outlined in the United Nations Universal Declaration of Human Rights. Kyro Group companies do not use child labour or work with subcontractors or goods suppliers that use child labour.

According to the Group's principles, goods and services are acquired in compliance with valid laws, decrees and statutes, general good practice and high moral standards. The principles of honesty, equality and non-discrimination are also applied.

Products are acquired with due regard to their life cycle and environmental impact by favouring environmentally friendly products. Procurement activity must always comply with Glaston Technologies' environ-

mental policy, and environmental, health and safety perspectives are actively emphasised in relationships with suppliers.

### SUSTAINABLE GLASS PROCESSING MACHINE TECHNOLOGY

Glaston Technologies takes the entire life cycle of its machines into account. The machines are designed and manufactured to withstand high capacity and long-term production. The recycling of materials is important, particularly in connection with maintenance and components that are changed frequently.

Tamglass Glass Processing continually develops its processes taking the principles of sustainable development into account. In waste processing, the goal is to minimise the amount of waste created. Glass waste arising

in production is completely recycled. The glass is mostly crushed and delivered as raw material for glass wool, while some of the glass is used as raw material for new flat glass.

### ENVIRONMENTALLY FRIENDLY ENERGY PRODUCTION

Sustainable development and responsibility for a clean environment are fundamental to Kyro Power's operations. The company's environmentally friendly energy production is based on the efficient cogeneration of electricity and heat at its gas combi power plant in Hämeenkyrö.

The power plant has had an ISO 14001 environmental certificate since 2003. The main fuel of the gas combi power plant is clean natural gas, while the gas turbine's Dry Low Nox burning technology minimises emissions.



1.



2.



3.



4.

1. Safety glass machines are assembled and tested at the assembly plant before delivery to customers. Pictured is Machine mechanic Hannu Niemi at his work.

2. Product development demands active teamwork. Product Group Manager Mauri Saksala (from right), Product Development Manager Sami Kervola and Mechanical Designer Ari-Pekka Toivainen check the quality of the end product.

3. Maintenance Engineer Kimmo Kuusela monitoring glass tempering.

4. The Glasstec fair, organised every other year, is the glass industry's most important fair event. Bavello-ni's Communications Assistant Elena Corengia (from right) and Sales Assistant Laura Favot enjoying the atmosphere of the fair.

# 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 Stock Exchange. Kyro primarily applies the Corporate Governance Recommendation for Listed Companies issued in December 2003 by HEX Plc (OMX), 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 Stock Exchange 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 the presiding officer 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 minimum of five and a maximum of nine members. The term of office of members of the Board of Directors expires at the end of the Annual General Meeting that follows their election. The present Board of Directors, therefore, was elected at the Annual General Meeting in spring 2006 for the term of office spring 2006 to spring 2007. 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 2006 the Chairman of the Board of Directors was Carl-Johan Numelin and the Deputy Chairman was Christer Sumelius. The Board of Directors met 14 times in 2006 and on average 92.5 per cent of members were present. Information about the members of the Board of Directors and their shareholdings in the company can be found on page 31 of this annual report.

All nine members of the Board of Directors are independent of the company. Apart from Heikki Mairinoja, Andreas Tallberg and Jan Hasselblatt, all the members of the Board are independent of the company's most significant 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 2006.

### Committees of the Board of Directors

The Board of Directors annually appoints the necessary number of committees

to prepare matters that 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), Heikki Mairinoja and Carl-Johan Rosenbröjler. The committee met five times during 2006.

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 Cavén, Christer Sumelius and Andreas Tallberg. The committee met eight times during 2006.

## 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. Pentti Ylihjeljo, who served as Kyro's President and CEO from 1996, retired from his duties as President and CEO of Kyro Corporation and Tamglass Ltd Oy on 31 December 2006. Mika Seitovirta succeeded Ylihjeljo as President and CEO of Kyro and Tamglass Ltd. Oy on 1 January 2007.

The President and CEO's personal and company shareholding information can be found on page 30 of this annual report.

## OTHER MANAGEMENT

Kyro Group has two business areas: Glaston Technologies and Energy. Glaston Technologies comprises Kyro Corporation's wholly owned operational subsidiaries Tamglass Ltd. Oy and Uniglass Engineering Oy together with their own subsidiaries. The Energy business area comprises Kyro Power Oy, which is wholly owned by Kyro Corporation.

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.

Personal and company shareholding information of the Glaston Technologies business area's senior managers can be found on page 30 of this annual report.

## REMUNERATION

The spring 2006 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. In addition to the annual remuneration, the members of the Board are paid a meeting remuneration for every Board and Committee meeting which a member attends. The remuneration is 800 euros for the chairman and 500 euros for a member of a meeting. Employees of the Group who serve on the boards of directors of Group companies do not receive separate remuneration.

The company's President and CEO was paid a salary of 413,609 euros and a performance bonus of 385,520 euros in 2006.

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. Details of the incentive scheme are presented in the Shares and Shareholders section, on page 38, and in the Notes to the Financial Statements section, on page 61, of this annual report. In 2006, bonuses totalling 495,920 euros was paid from the Tamglass incentive scheme to three members of management.

Various units of Group companies have their own 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 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.

When notice of termination of employment is given, the President and CEO's term of notice is six months. 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 Stock Exchange as well as the Financial Supervision Authority's Standard 5.3, which came into force on 1 September 2005. The members of the company's Board of Directors, management and auditor are considered to be insiders with a duty to disclose. Due to their positions, Presidents and CEOs 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 with a duty to

disclose. Under the above standard, the company also maintains a company-specific register of insiders. Information about the company's insiders with a duty to disclose as well as 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 2006 Annual General Meeting elected as auditor the authorised public accounting firm KPMG Wideri Oy Ab, with the responsible auditor being Sixten Nyman APA, who is responsible for directing and coordinating auditing for the entire Group.


In 2006 the auditors of all the Group companies were paid a total of 263,000 euros for statutory auditing. A total of 165,000 euros was paid to KPMG in fees unconnected with auditing in 2006. These fees were related to tax consulting, mergers and acquisitions, and preparations for the transfer to reporting under IFRS rules.

## COMMUNICATION


The objective of the company's 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, the development of the market, and the company's objectives and its strategy for achieving those objectives.

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





Glaston Technologies is the only comprehensive supplier in its field – a One-Stop-Partner that offers integrated safety glass and pre-processing machine deliveries. For the first time in the world the different work stages of a pre-processing line can now be combined with a safety glass machine.



Added value of glass is increasing globally at 4-7% per year. Grinding, CNC and, for example, printing are increasingly part of a glass processor's everyday work. Moreover, the proportion of safety glass in furniture and appliance glass is growing quickly. Glass processors also have an increasing need for both safety glass and pre-processing technology.

# Glaston Technologies Management



President & CEO,  
Kyro Group

**PENTTI YLIELHO**

b. 1945

M.Sc.(Eng.)

since 1992

Share ownership at 31.12.2006  
43,400 shares

President, Sales,  
Glaston Technologies,  
Managing Director (acting), Bavelloni

**KAJ APPELBERG**

b. 1953

M.Sc.(Econ.)

since 2004

No shares



Chief Financial Officer,  
Kyro Group

**VESA HOPIA**

b. 1955

M.Sc.(Econ.)

since 2004

No shares

Director of Technology,  
Glaston Technologies

**JUHA LIETTYÄ**

b. 1958

Engineer

since 1986

No shares

Business Area Director,  
Glaston Technologies

Architectural

**MAURI LEPONEN**

b. 1962

M.Sc.(Eng.)

since 1989

Share ownership at 31.12.2006  
4,000 shares

**OTHER MANAGEMENT**

**KYRO GROUP**

Chief Information Officer

**HARRI KARJALAINEN**

SVP Corporate Planning

**ESKO RANTALA**

IR & Communications Manager

**EMMI WATKINS**

**GLASTON TECHNOLOGIES**

Business Area Director  
Glaston Automotive

**TOMMI SALENIUS**

Business Area Director  
Glaston After Sales Services

**TAPIO RAUHALA**

**MANAGEMENT OF SUBSIDIARIES**

Tamglass Ltd. Oy  
President and CEO

**MIKA SEITOVIRTA**

Bavelloni S.p.A.  
Managing Director (acting)

**KAJ APPELBERG**

DiaPol S.r.l.  
Managing Director

**COSIMO GABRIELE**

Uniglass Oy  
Managing Director

**PETRI MÖLSÄ**

Tamglass Glass Processing Ltd.  
Managing Director

**CLAUS CARLSEN**

Kyro Power Oy  
Managing Director

**ESA KUJALA**

# Kyro Board of Directors



Chairman

**CARL-JOHAN NUMELIN**

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

Since 1990

Chairman since 1996

Term of office 2006–2007

Share ownership on 31 Dec

2006: 126,200 shares

Deputy Chairman

**CHRISTER SUMELIUS**

b. 1946, M.Sc.(Econ.)

Since 1995

Term of office 2006–2007

Share ownership on 31 Dec

2006: 803,800 shares



**LARS HAMMARÉN**

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

Since 1982

Term of office 2006–2007

No shares

**HEIKKI MAIRINOJA**

b. 1947, M.Sc.(Eng.),

B.Sc.(Econ.)

Since 2003

Term of office 2006–2007

Share ownership on 31 Dec

2006: 4,000 shares

**KLAUS CAWÉN**

b. 1957, LL.M.

Since 2004

Term of office 2006–2007

Share ownership on 31 Dec

2006: 6,000 shares

**CARL-JOHAN ROSENBRÖIJER**

b. 1964, Dr.Sc.(Econ.)

Since 1996

Term of office 2006–2007

Share ownership on 31 Dec

2006: 12,600 shares



**ANDREAS TALLBERG**

b. 1962, M.Sc.(Econ.)

Since 2006

Term of office 2006–2007

No shares

**JAN HASSELBLATT**

b. 1964, M.Sc.(Econ.)

Since 2006

Term of office 2006–2007

No shares

**CLAUS VON BONSDORFF**

b. 1967, M.Sc.(Eng.),

M.Sc.(Econ.)

Since 2006

Term of office 2006–2007

Share ownership on 31 Dec

2006: 122,600 shares



**Design and layout**

Incognito Oy

**Photos / Dubai**

Potkastudios Oy / Katri Pyynönen

**Printed by**

Hämeen Kirjapaino Oy

**KYRO CORPORATION**

P.O. BOX 25, FI-33731 Tampere

Finland

Tel. +358 3 382 3111

Fax +358 3 382 3016

[www.kyro.fi](http://www.kyro.fi)

**KYRO**  
TECHNOLOGIES

