



Excellence in eBusiness

iOCORE

ANNUAL REPORT 2001

FINANCIAL INFORMATION

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The annual report, interim reports and stock exchange bulletins are also available on the Company's Web site at www.iocore.fi.

Annual General Meeting

Iocore Plc's Annual General Meeting will be held on 24 January 2002 at 4 p.m. The deadline for registration is 17 January 2002. Powers of attorney must be delivered to Sari Heikkinen by 17 January 2002 for review; tel. +358 9 4152 2526, fax +358 9 4152 2520 e-mail: sari.heikkinen@iocore.fi.

Dividend record date	29 January 2002
Dividend payment date	5 February 2002

The dividend is EUR 0.03/share

During the past year, Evli Securities, Helsinki has drafted investment analyses about Iocore Plc.

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IOCORE IN BRIEF

What are we?

Iocore builds information systems and operates the electronic business of many of the most important businesses in Finland. Our customers include, for example, banks, insurance companies, franchising groups, media houses, telecom carriers and industrial companies in Finland and abroad.

Iocore has the capacity to plan and implement the customers' systems projects, all the way from the start to the end, as well as to provide ASP and maintenance services for the systems we deliver. Iocore's experts are familiar with the business and strategic requirements of companies as well as with the technological aspects—something that is the result of extensive experience of information system design, implementation and maintenance. Iocore also has its own product family, which can be used to connect the information systems with a company or between several companies.

Iocore has Finnish offices in Helsinki and Tampere as well as subsidiaries in Belgium, the Netherlands and France. The corporation employed 179 people at the end of September 2001.

Objective

Iocore aims to be the market leader in Finland as a supplier of electronic business-to-business integration solutions and software. Its objective is to gain a significant market position as the supplier of mission-critical information systems to businesses in selected fields. The product business strives to international growth.

Strategies

Profitable growth: Iocore aims at profitable growth through natural means but will also use acquisitions, if they strengthen the core businesses. The core business is based on professional services, system solutions and product business.

Increased product sales: The software business is based on Iocore's ECG product family. Version 3.0 of Iocore ECG enables extensive OEM and VAR sales of the product both in Finland and abroad.

Personnel: As an employer, Iocore strives to be among the best companies, always seeking the most talented experts. Expertise and comfort are maintained by continuous training and company-supported hobbies and shared events.

Customers

Iocore's clientele is primarily comprised of major corporations, their suppliers and business customers. The most important customer groups are banking, insurance, media, trade and telecom. Iocore's business is based on long-term customer relationships.

Our Finnish customers include, for example, Nordea, OKO, Sampo, Pohjola, Ilmarinen, MTV Oy, Ruutunelonen Oy, Kärkimedia, Sanoma-WSOY, SOK and Kesko. Our foreign customers include, for example, KPN, Europay, De Vadershe , Alcatel, France Telecom, Crédit du Nord.

Partners

Iocore's product sales are channelled through VAR and OEM partners to complement direct sales to the company's own customers. Our partners include: Automaster Oy, BasWare Plc, Atex Media Solutions Oy, Reach-U-Ltd and Abay Ts Group in Belgium.

Values

True caring

We genuinely care about each other and our customers' interests.

Profitability

By always operating profitably, we ensure the existence and future of our company.

Continuous development

In order to reach the top and to stay there, we must continue to develop both as individuals and as a company.

THE YEAR IN BRIEF

The net sales grew 69% and operating income remained positive

12/2000 Ilocore acquires all shares of Ilocore Western Europe from Mican Ltd. The offices are located in Mechelen (Belgium), Paris (France) and Amsterdam (the Netherlands).

1/2001 Ilocore Plc purchases EDI business from the Lappeenranta-based Multi-Com Software Oy as well as the ASP service agreements concluded under the EDICare brand.

3/2001 Ilocore signs a three-year, FIM 15+ million agreement on application development work for a long-term customer.

5/2001 Ilocore establishes an office in Tampere. During the year, OEM agreements are concluded with Automaster Oy, BasWare Plc, Atex Media Solutions Oy and Reach-U-Ltd.

8/2001 The international sales of Ilocore ECG start.

8/2001 The planning and construction consortium Abay TS Group and Ilocore Western Europe deliver Ilocore products for the Belgian road administration's traffic and weather information systems.

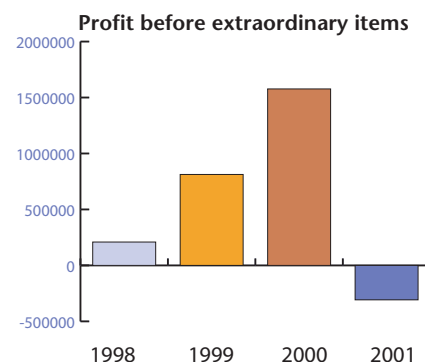
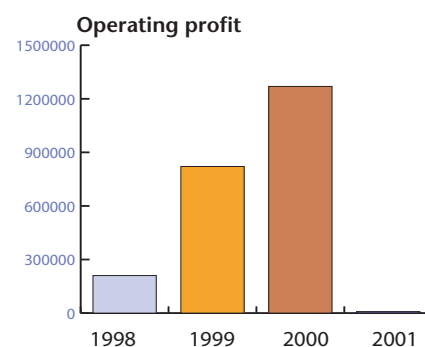
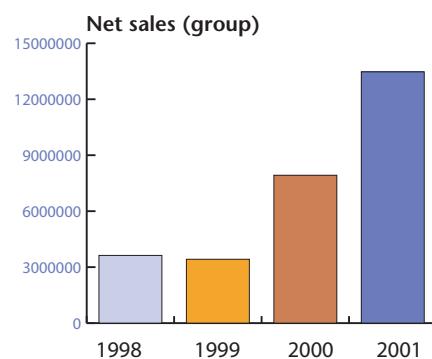
8/2001 Ilocore Plc develops version 3.0 of its ECG software.

8/2001 Ilocore implements the portal dedicated to selling advertising space in magazines for Aikakausmedia Oy.

9/2001 Ilocore develops two new ECG-based products to support mobile business applications: Ilocore ECMessenger and Ilocore ECContent.

9/2001 Ilocore implements a comprehensive TV advertising service for the commercial TV companies in Finland, allowing media houses to electronically purchase TV advertising time.

9/2001 Ilocore restructures its Finnish group. In the restructuring, all business functions are transferred to a new company, Ilocore Finland Ltd. Ilocore Plc runs the corporate management, financial department, legal affairs and communication. Kari Katajamäki is assigned as the CEO of Ilocore Finland Ltd. Katajamäki is also appointed CEO of Ilocore Plc on 20 November 2001.



Financial indicators for the Group 1999-2001	EUR 1000	30.9.2001	30.9.2000	30.9.1999
Net sales		13 470	7 926	3 423
Net sales growth %		69,9 %	131,5 %	N/A
Operating profit		8	1 269	821
% of net sales		0,1 %	16,0 %	24,0 %
Profit before voluntary provisions and taxes		-308	1 495	813
% of net sales		-2,3 %	18,9 %	23,7 %
Return of equity, ROE		-3,4 %	25,7 %	105,6 %
Return of investment, ROI		-2,8 %	32,2 %	97,0 %
Liabilities subject to interest		202	153	161
Bonds and shares + cash and bank receivables		5 009	6 673	962
Net gearing		-57,9 %	-77,9 %	-87,1 %
Equity ratio		76,3 %	83,3 %	27,3 %
Gross investments in fixed assets		1 222	544	1 314
% of net sales		9,1 %	6,9 %	38,4 %
Research and development costs		1 034	810	600
% of net sales		7,7 %	10,2 %	17,5 %
Personnel (average)		155	93	29
Personnel at the end of the financial year		179	102	46

CEO'S REVIEW

The past financial year was the company's first full financial year as a public listed company. The company was listed in the Helsinki Exchanges in May 2000 on the NM list.

During the year, strong investments were made in strengthening the organisational structure, and in internationalising the business and product business. Despite the strong growth of net sales, the defined net sales growth objectives were not attained, which partly contributed to decreased profit. The operating profit remained, however, positive. During Q4 of the financial period, the company undertook a major overhaul of the company's organisation and functions. Simultaneously, objectives were clarified and overlapping functions were discontinued. Ilocore Plc was converted to a holding company, and all subsidiaries were merged with Ilocore Finland Ltd. These changes became effective as of the beginning of the new financial year on 1 October 2001.

There were two acquisitions during the year. Ilocore bought companies in the Netherlands, Belgium and France in one acquisition. Furthermore, the company acquired Multi-com's EDI business in Finland, which improved our market share, in particular as a systems supplier of the energy industry.

The IT industry is expected to show stable growth in the future, albeit the company will not become as strong as was the norm around the end of the 90s. Notwithstanding that decade, businesses will need to continue investing in developing their systems in order to retain their competitive advantage. The 1990s were definitely a time of company-internal operations enhancement. Even today, and in particular in the general recession, one of the primary motors of the IT industry is information systems that contribute to cost-efficiency in businesses.

During this decade, one of the central trends has been a vigorous improvement of inter-business functions and inter-business networking. Traditionally, businesses have dealt with each other using paper-form documents, which are sent and received manually. When document exchange is automated, businesses can attain up to 80 – 90 percent savings in time. These electronic business-to-business information systems provide the technological platform for automating functions between businesses. According to market development forecasts, they are now in the most important position, as major corporations consider and carry out information technology investments.

Ilocore has traditionally manufactured these systems, which contribute to business-internal efficiency, both through enterprise application integration (EAI) and by building electronic business-to-business systems (B2B). In this field, the general market outlook appears favourable.

Ilocore provides its customers with comprehensive, high-quality information technology service ranging from strategic planning and construction of information systems to systems operation and maintenance. The business has been organised into six business units, effective 1 October 2001:

- Strategy Consulting
- Enterprise Business Solutions
- Professional Services
- Product Business
- Network Services
- The Tampere regional unit



locore's strengths are technology and industry expertise as well as efficient project management methods. As an example of this, I could take world-class electronic business solutions for the media and automobile sales industries that we could implement using our own product family. We have also implemented several systems development projects for different industries during the past year.

Our objective for the financial year 2002 is to considerably improve our profitability and to continue to grow faster than the general market development.

These objectives will be attained through our new and more efficient organisation. We will focus on delivering electronic business-to-business integration solutions and software, as well as mission-critical information systems and related services.

We will use our own product family in our customer projects as well as sell our products through existing and future Finnish and foreign VAR and OEM partners. Company acquisitions will be carried out if they clearly strengthen our core business.

The past year was a time of great changes for us and for the economy in general.

I would like to thank all of our employees for their contribution with which we could further develop our company during the past financial year. I would also like to thank all of our customers and shareholders for the trust they have shown us for now and in the future.

Kari Katajamäki
CEO

BUSINESS UNITS

Strategy Consulting

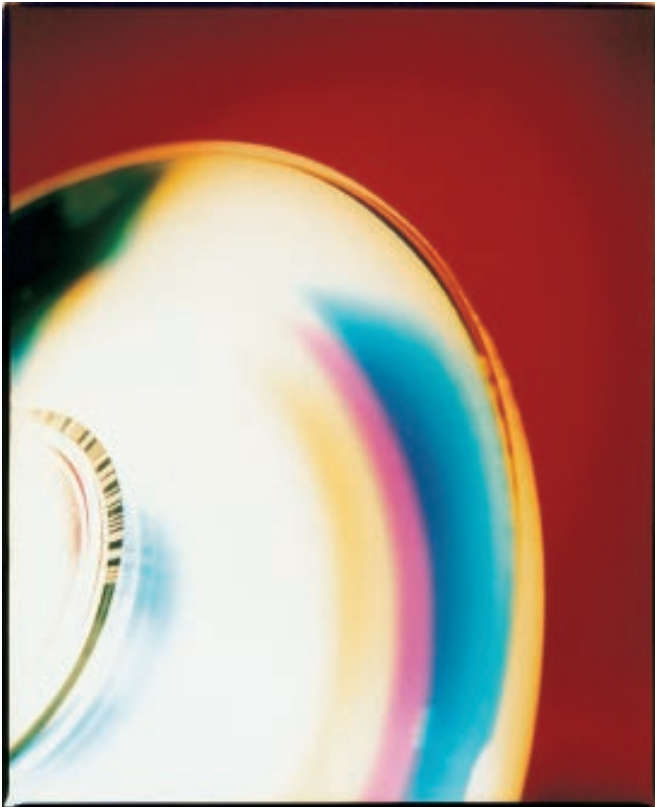
locore's Strategy Consulting unit helps the customer to apply new methods in its B2B and B2C businesses. The unit determines the impact of eBusiness on the customer's strategy and seeks new business models and benefits for both business customers and interest groups. The unit investigates the impact of the new methods on the customer's processes and on IT architecture, and studies technical alternatives. locore's strategy consultants master both business and technology perspectives. locore has extensive expertise in, for example, B2B application integration, portals and multi-channel architectures. Therefore locore's Strategy Consulting can both design and implement the customers' projects.

During the financial year, there were two comprehensive projects in progress: one in the trading industry and one in the grocery industry.

Solutions for business procurement were devised during the financial year. Rationalised procurement with improved efficiency may cause very significant savings in a short time. Therefore locore believes there will be demand for the solutions particularly, if economic growth remains slow.

During the financial year, locore devised a staged project model that utilises balanced scorecard methods. It includes the models for assessing project benefits, controlling the project and monitoring it.





Professional Services

Professional Services unit provides diversified expertise for the implementation of our customers' information technology projects. Icore provides both turnkey solutions and well as consultants for customer projects. We also manage our customers' applications as an overall service. Icore's experts—alone or as a team—typically work in project management, specification, planning and programming.

The profitability of the Professional Services remained at a good level. During the financial year, Professional Services focused particularly on enhancing connections with existing customers and acquiring and carrying out increasingly large projects.

The average project size did grow remarkably. In the previous financial year, the typical project duration was 4 – 6 months. Today, projects last up to several years, which naturally facilitates business management and predictability, and allows for better concentration on quality control and enhancement.

The greatest individual project started during the financial year was worth EUR 3 million.

Finding skilled personnel has been a challenge for Professional Services. During the financial year, recruitment became somewhat easier, thanks to the general state of the IT industry.

BUSINESS UNITS

Enterprise Business Solutions

locore's Enterprise Business Solutions unit delivers turnkey information systems both for major corporations and inter-business electronic trade. It also enhances the business of individual companies and entire industries by building electronic trading places and industry portals.

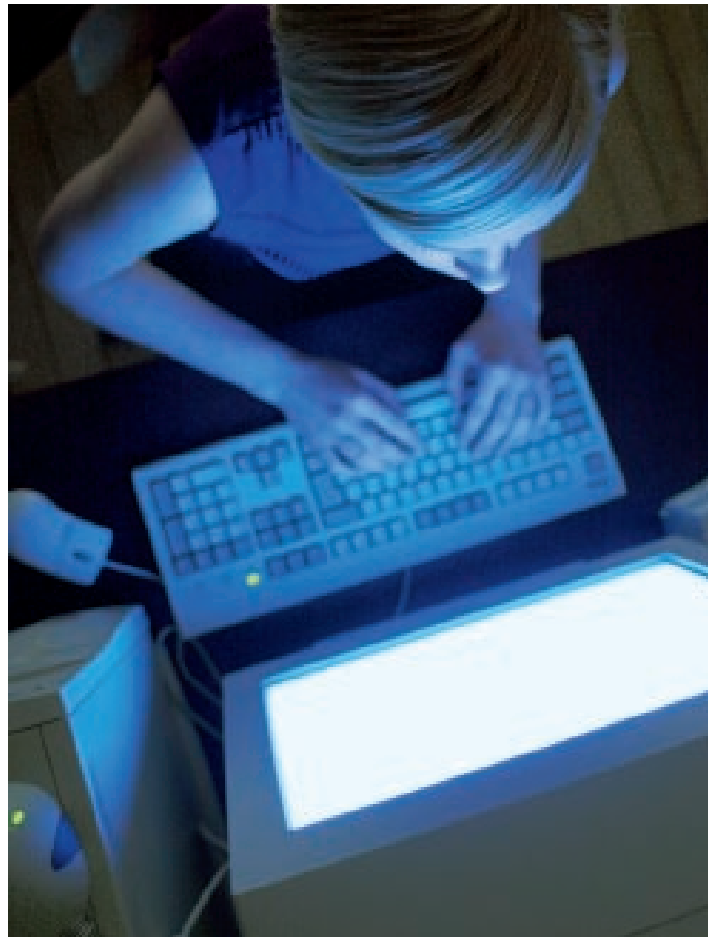
The financial year was clearly characterised by the construction of major media portals. These were built for Kärkimedia, Helsingin Sanomat and Aikakausmedia Oy, as well as for the commercial TV companies in Finland, i.e., MTV Oy and Ruutunelonen Oy.

Project sizes grew, and locore assumed increasingly comprehensive responsibility for the functionality of customer systems.

The automobile industry databases used by NetWheels Oy were practically redone, and a new IT infrastructure was built for them. The automobile services offered by NetWheels now serve more than 500 automobile industry locations. NetWheels has a significant information repository, which has been used to build a variety of services, such as car reseller sites and portals for financing companies. One information repository is used for information entry in several other portals, such as MTV3's *Autotalli* and Helsingin Sanomat's *Oikotie*.

Transportation and logistics services were further developed with the Finnish Trucking Association, FTA, and the existing FTA portal was expanded. For example, methods were deployed to connect lorries to the system with mobile technologies. This allows monitoring orders, order confirmations, delivery control, expenses, driving times, petroleum consumption and even braking times.

locore Plc purchased EDI business from the Lappeenranta-based MultiCom Software Oy, as well as the ASP service agreements concluded under the EDI-Care brand. The business was transferred to Helsinki. The acquisition signified a strong investment in the EDI business, in particular in the energy industry, and amounted to a 60% market share of the EDIEL message traffic. Another significant step for the ASP service was the co-operation with BasWare in the myeflow.com Web invoice service. locore operates the myeflow.com Web invoice service and Web site.



Network Services

locore provides network services, which ensure the functionality of the customer's network and hardware. The service is always constructed individually according to the customer's requirements, ranging from the installation and maintenance of a single device to the designing, installing and maintaining networks that comprise hundreds of workstations and servers.

The network support services cover the most common systems, such as Windows NT, Windows 2000, UNIX/Linux and the most common network solutions and databases.

Network Services unit also manages network support within locore.

Co-operation with Novo Group grew and became more solid. A co-operation agreement was also concluded with one of the most significant IT manufacturers in the world. New customers were acquired from the finance industry in particular.

In addition to Helsinki, Network Services had personnel in Tampere and Turku.



BUSINESS UNITS

Product Business

As planned, a significant amount of money and resources was invested in product development and productising during the past financial year. The objective was, above all, to internationalise our products and develop them to be more suitable for different sales channels, such as the OEM and VAR channels.

A new unit was set up in product marketing to handle, for example, improved productisation.

During the past year, completely new, Java-based locore ECG 3.0 was developed. In addition, two entirely new products, locore ECMessenger and locore ECContent, were developed.

The new locore ECG 3.0 is flexible, easy to use and easy to expand. It is based completely on Java and XML technologies, and is therefore lighter and faster than before and allows for easy access to its services from other applications. It can be integrated with a variety of business systems, such as CRM and ERP, and is flexibly scalable to various system sizes. In regard to its technology and implementation, locore ECG is independent of the customer's line of business. The users include, for example, franchising groups, insurance companies, media houses and television companies in Finland and abroad.

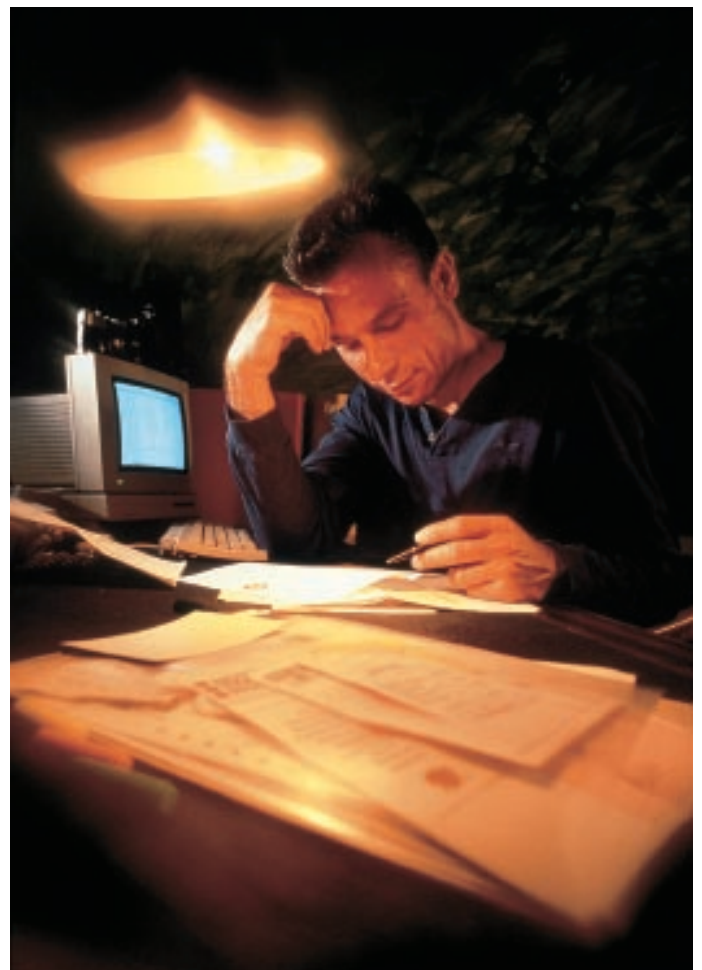
Important Finnish ECG deliveries during past year have included the magazine advertising booking system created for Aikakausmedia Oy, as well as the TV advertising ordering system, TV Gate, created for the commercial TV channels in Finland.

Internationalisation and adaptation to the sales channel were successful. As an indicator of this, we can take the VAR co-operation with the Belgium-based Abay TS Group. Abay TS sold locore's ECG 3.0 software to the Flemish road administration for use in a traffic and weather information collecting system.

Another very significant co-operation agreement is the product development agreement with the S Group. Important OEM agreements were also concluded with BasWarej and Automaster Oy. BasWare connected the software to their myeflow.com Web invoice service, and Automaster Oy used it as part of the AutoMaster software, which is largely used by car retailers in Finland.

locore ECMessenger is a communication software that distributes information collected from various sources to the chosen channels. The software is a solution to multi-channel communication; information can be relayed to fixed and mobile devices. The users can select what information they wish to read—as well as when and where.

locore ECContent is the solution to producing, processing and publishing Web-based material. With the product, Web pages can be maintained conveniently, even automatically. Content can be produced for a variety of terminals, such as mobile devices and e-mail. The maintenance of content produced with locore ECContent can be distributed to several content producers and processors.





Tampere Regional Unit

locore's regional unit in Tampere was established in the spring of 2001. Its mission is to strengthen locore's market position in all of its business areas. During the financial year, the focus has been on Networks Services, aimed in particular at the public sector, municipalities, and cities. Specifically, the objective is to increase locore's share of integration services and related product services.

Another significant area of focus during the financial year has been the promotion of public awareness of locore, presenting its various service concepts and providing the services to companies in the Tampere region and to public organisations.

The most significant development projects involve the seamless development of service chains for internal and external services within public sector organisations.

Western Europe

At the beginning of the past financial year, locore Plc acquired the company locore Western Europe BVBA and minority interests in the companies in the Group. The corporation also acquired the shares of a company called Sarl Merlin.P. Thus was formed the locore Western Europe group, which is comprised of country offices in Belgium, the Netherlands and France.

During the financial year, office operations have been started and integrated, a network needed in the business has been built and locore product sales have been developed on the VAR partnership concept.

The Western Europe group focuses on providing system integration and professional services to major accounts. The customers are primarily finance, telecom and heavy industry companies. A major breakthrough was made in international sales during the financial year. The planning and construction consortium Abay TS Group, based in Belgium, and locore Western Europe agreed on delivering locore products for the Belgian road administration's traffic and weather information systems, for example. However, the start of the international business has taken longer than expected. Western Europe's profit development has not been satisfactory during the financial year, and the business has generated loss. Measures have been taken to develop the operations.

The Smart Highway

Highways in Belgium may soon be even smarter than the drivers who use them. The road administration in the Flemish part of Belgium is collecting roadside information on weather, traffic and driving speed, and even information about accidents is immediately relayed to a control room. The information is relayed with the locore ECG software.

The road administration collects information using sensors, counters, automatic accident detectors and traffic messages to a number of servers across Belgium. locore ECG software is used to retrieve and relay information from servers to a relational database and then further to traffic control applications. In the second stage, locore ECG is projected for use in distributing traffic information to the public, police and emergency services.

The system is built for the Flemish road administration by the construction and planning consortium Abay TS Group.

Operating in the Benelux countries, Abay TS Group is a consortium of electro-mechanical contractors. The company employs 1,200 people and has net sales of roughly EUR 117 million. Abay TS Group is part of the Spie corporation. Companies in the Spie corporation employ more than 60,000 people, and have total net sales of approximately 750 million.

The Belgian country office, part of locore Western Europe, has concluded a Value-added Reselling (VAR) agreement on the locore ECG software with Abay TS Group. Abay TS has agreed on the delivery of locore ECG application integration software with the Flemish road administration for use in the traffic and weather information collecting system.

In addition to the locore ECG delivery, locore Western Europe delivers service components to the project, such as database planning.

The agreement is a proof that the efforts for internationalising locore products and sales organisation have indeed been profitable. locore believes that the VAR agreement with a well-known and respected European company will open a door to many a possibility in the future.



The Media Purveyor

locore has emerged as the purveyor of integration solutions for the Finnish media. During the past year, locore has built a solution that combines advertisement time and space sales systems for TV companies and magazines. Even before that, locore had created a similar system for the leading newspapers.

TV Gate is a comprehensive service for the electronic purchasing of advertisement time for television. The service implemented by locore has been implemented by MTV Oy and Ruutunelonen Oy as well as the major media offices and Finnpanel Oy in Finland.

Purchasing a TV campaign involves a number of stages. With the introduction of the new digital channels, the number of parties plus the information to transfer has only grown.

The new TV Gate service reduces routine work, speeds up decision-making and clarifies and simplifies the procurement process for TV advertising. TV Gate is an electronic TV campaign network that different parties can join flexibly and affordably. TV Gate makes different information systems and applications speak one language, XML.

locore Finland Ltd is the implementer and ASP service provider for the TV Gate system. The campaign information transferred in the system is relayed between the parties using XML messages. During the project, TV companies and media offices created an XML structure definition as the message standard for the TV business.

TV Gate is based on locore ECG and locore Connector products, which account for a reliable and secure information exchange between the different parties and applications in the network. The products include versatile monitoring and alerting mechanisms, strong encryption and digital signatures.

The first version of the TV Gate service was developed for approximately one year with MTV, Ruutunelonen and major media offices. The system is still being developed.

Leading magazines rely on locore

locore also created an advertisement booking system for Aikakausmedia Oy, for use by advertisers, media and advertising agencies and publishers. Major magazine houses have already deployed the system.

In the new system, the entire process of booking advertising space and communicating between the parties takes place electronically. The system is greatly more convenient, faster and more reliable than the former arrangement.



Advertisement bookings, confirmations, attributes and, possibly in the future, even invoices travel through one location, the Aikakausmedia service. The advertisement booking system can be used through a Web user interface. Alternatively, the booker's and Aikakausmedia's systems can be integrated. In this scenario, bookings can be sent to Aikakausmedia's service as standardised XML messages.

The foundation of the system, as well as the integration between the various components, have been implemented with the locore ECG and locore Connector products, and the Web portion relies on locore's ECNet components.

"Thanks to the electronic system, the booking process is now greatly more convenient and reliable", comments eManager Tony Salminen at Aikakausmedia Oy.

Aikakausmedia Oy is a company owned by the Finnish Periodical Publishers' Association. 240 of the most significant journal publishers in Finland are members of the association. Together, they publish more than 450 magazines.

Sweet eBusiness

Leaf Oy built a unique service to help tens of thousands of its resellers to sell more sweets and to sell them better. Leaf's system was delivered by Icore.

Everyone knows Leaf's products, such as the ever-green Jenkki chewing gum, Mynton and Sisu pastilles and Tupla chocolate bar. The leading sweets manufacturer in Finland, Leaf believe their products could still be sold even more widely. There are tens of thousands of potential sales outlets in Finland.

Leaf knew well that sweets would be sold most anywhere people move. Sweets are sold in large malls, as well as at service stations and small newsstands. After all, why shouldn't they be appropriate for almost any outlet?



Leaf and the small resellers shared a problem, though, in that the manufacturer and the reseller knew little about each other. The newsstand or the bar entrepreneurs acquired the sweets from a distributor and placed them for sale as they saw fit. Small entrepreneurs usually didn't know about possible campaigns in advance, nor did they have pre-designed sales concepts at their disposal. Leaf, on the other hand, didn't know what sweets and in what quantities were sold at different outlets.

What was known was that the number of non-traditional sweets resellers was great but their sales were only a fraction of Leaf's overall sales.

To facilitate the situation, a unique service was created under the workname of Virtual Salesman. The system will be deployed at the beginning of 2002. It is a service devised by Leaf for its resellers, and it offers great benefits to all trading parties. The Web-based, reseller-customised system helps the resellers to find information about new products, promotions and upcoming campaigns. They are also offered a variety of help resources for sales enhancement.

As all resellers are quite different from each other, the portal is tailored to meet individual needs. Thereby each reseller will easily find just the information they need at the moment.

The reseller need not, however, sit by the computer on the lookout for Virtual Salesman services. Just like a good old salesman, Virtual Salesman comes to the customer. The system incorporates multiple channels, which allow the resellers to receive information on new products, promotions or campaigns in the way they prefer - for example as e-mail.

Of course, the reseller can take full advantage of any promotions by placing his order directly in the system. The order is further relayed to the distributor used by the reseller. Resellers receive the entire package from one location; information about campaigns and campaign dates, products, accessories and advice for optimal sales efficiency.

“The service is unique in Finland, and we expect a lot from it”, comments Jari Latva-Rasku, Managing Director of Leaf Oy. “We believe we will significantly increase our sales. For example, we will attempt to have a significant portion of Finnish pharmacists using the service.”



“Ilocore was selected as the system supplier primarily owing to their Finnish and international expertise, references, expertise on retail business and applicable technologies, and a sort of ‘seniority’. We have been pleased with the results and have already agreed on additional projects”, concludes Latva-Rasku.

Leaf promises many a benefit to the resellers. Not just advice but straightforward price benefits. Loyalty incentives related to services are easy to implement and monitor in a system like this.

As for Leaf, the company believes their state-of-the-art service will bring them loyal resellers and a great deal of valuable sales-related statistical information—something that couldn’t be collected before this.



PERSONNEL

Expertise is the core of locore's business. Our expertise can be felt in locore's own products and services, which are incarnated in each employee of the company. We nurture and develop our expertise as a continuous process.

- motivating tasks
- training and individual development
- competitive salaries
- comfortable atmosphere



At the beginning of the financial year, locore employed 102 people and 20 contractors. The corresponding figures at the end of the financial year were 179 and 20. The majority of personnel growth during the financial year is accountable to recruitment and the country offices of the Western Europe group in Belgium, the Netherlands and France.

The average age of the employees at the end of the financial year was 33 years, and 25% of the employees were women.

locore has an excellent team. Despite fierce competition, we have managed to recruit the best people on the market and to keep them. The employee turnover rate has been only 3.3%. We are now entering the new financial year with a moderate recruitment strategy.

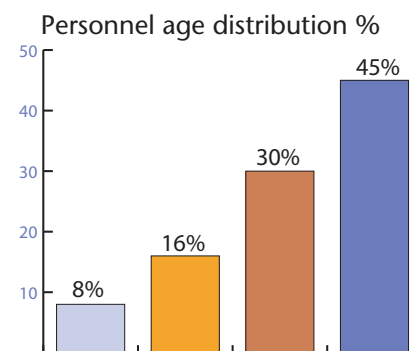
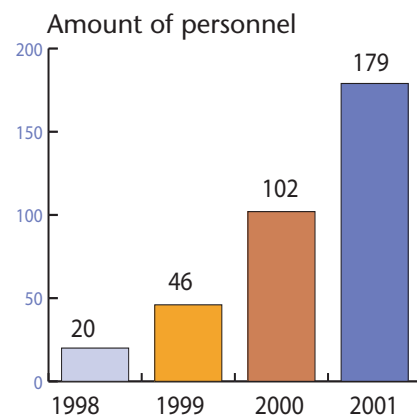
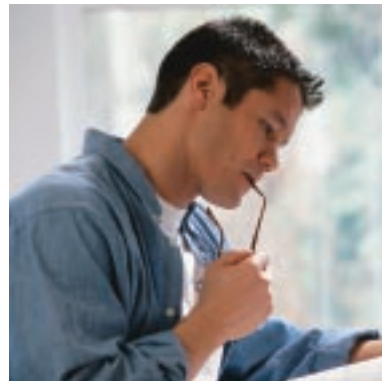
The objective of the personnel policy is that locore will evolve into one of the best and most wanted employers of the IT industry. To attain that objective, the human resources administration must be functional and invest in the well-being and development of the personnel.

In addition to genuinely caring about the employees, the company's human resources policy is controlled by:

- motivating tasks
- training and individual development
- competitive salaries
- comfortable atmosphere

Established in the year 2000, the five-year share option programme covers the entire personnel.

The personnel will move to a new office in Meilahti, Helsinki, in March 2002. Comfort, an open business culture and relaxed organisation have been the key ideas in designing the new office.



- over 50 years
- 50 - 40 years
- 30-40 years
- under 30 years

Report of the Board of Directors



Mike Frayne



Kari Kontuniemi



Osmo Suihko

The past financial year was the fourth for locore Plc. During the financial year, the corporation grew primarily through company acquisitions. locore Plc has been part of the global Mican Ltd group. The company's shares are quoted on the NM list at Helsinki Exchanges. At the end of the financial year, the Mican group had a 51.9% interest in locore Plc.

NET SALES AND DEVELOPMENT

locore group's net sales increased 69 % from the preceding year, reaching EUR 13,470 thousand (EUR 7,926 thousand in 2000). The Group's net sales include the net sales of locore Western Europe and Merlin P as of 1.1.2001, and the net sales of EDI business acquired from MultiCom Software Oy as of 1.2.2001. 74% of the net sales were accrued in Finland, and 26% from abroad. The parent company locore Plc increased its net sales by 91%, reaching EUR 4,520 thousand (EUR 2,369 thousand). locore Plc's net sales were completely accrued in Finland. The portion of system integration and professional services of the net sales was 79%, and electronic commerce software products and services 21%, respectively. The decrease of the share of electronic commerce is due to the fact that the net sales of the foreign companies acquired during the financial year are almost entirely comprised of system integration and professional services. Net sales from electronic commerce software products and services grew by 48 %, mainly organically.

PROFIT DEVELOPMENT

The Group's operating profit remained positive. It decreased by 99% to EUR 8 thousand (1,269 in 2000). The parent company's operating profit ended at EUR 309 thousand (EUR 482 thousand). This figure shows a decrease of 36% compared to the previous year. During the past financial year, investments were made in developing product operations and internationalisation, which significantly affected the development of the operating profit. The operating profit of the Finnish units was 158 thousand EUR, while the foreign operations produced a loss of 150 thousand EUR after their merging with the locore group.

FINANCING AND INVESTMENTS

The financing position of the Group was good throughout the financial year. The bottom line in the balance at the end of the financial year was EUR 10,885 thousand (10,050 thousand in 2000). The

equity ratio was 76 %, and the net gearing was –58 %. The amount of current assets of the Group was EUR 6.120 thousand.

The Group's working capital investments were EUR 1.222 thousand during the financial year. The investments include EUR 672 thousand as the acquisition price of Multicom Software Oy's EDI business, and EUR 145 thousand related to the acquisition of Iocore Western Europe. The other investments were normal replacement investments and additional investments resulting from the growth.

STRUCTURE AND DEVELOPMENT OF THE GROUP

During the past financial year, Iocore Plc started to improve the efficiency of its operations by restructuring the Group in Finland. The changes accomplished a restructuring, resulting in clear business units instead of business functions distributed across several companies. The objective is improved efficiency and clarification of business responsibilities. The preparation of the restructuring was completed by the end of the financial year, and the changes took effect on 1 October 2001.

In the restructuring, all business functions were transferred to a new company, Iocore Finland Ltd (Iocore Suomi Oy). The name of a former subsidiary, Microext Oy, was changed to Iocore Finland Ltd. The business of Iocore Solutions Oy and Iocore Plc were transferred to Iocore Finland Ltd.

The CEO of Iocore Plc, Kari Katajamäki, was appointed CEO of Iocore Finland Ltd.

Iocore Plc became a holding company, running the corporate management, financial department, legal affairs and communication.

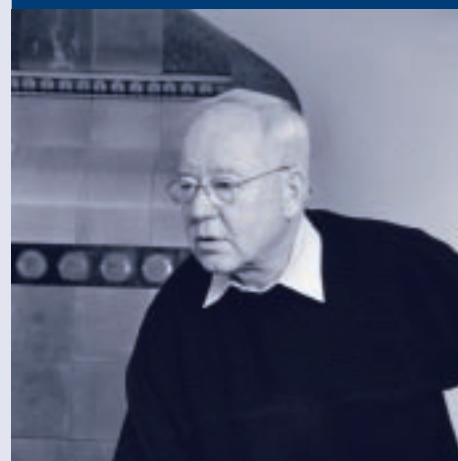
After the reform, Finland Ltd's business units are:

- Strategy Consulting
- Enterprise Business Solutions
- Professional Services
- Product Business
- Network Services
- Tampere Regional Unit

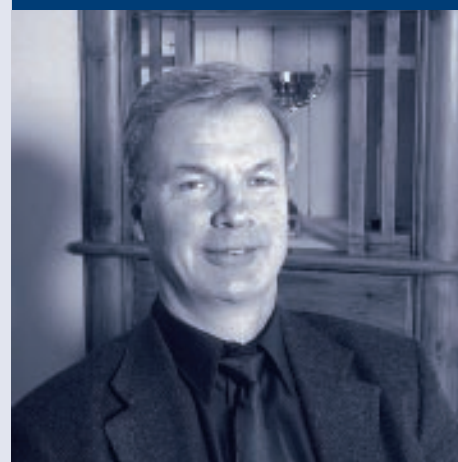
Iocore Plc still owns country offices in Belgium (Iocore Western Europe BVBA), the Netherlands (Iocore Western Europe B.V.) and France (Sarl Iocore and Merlin P). These offices report on their business to Iocore Finland Ltd's CEO Kari Katajamäki and, as Katajamäki started as Iocore Plc's CEO on 20 November 2001, to Iocore Plc.



Kari Katajamäki



Martti Juven



Pertti Ruosaari

Board of Directors

Mike Frayne, Chairman of the Board

Kari Kontuniemi, Vice Chairman

Martti Juven, Member

Kari Katajamäki, Member

Pertti Ruosaari, Member

Osmo Suihko, Member

Report of the Board of Directors

BUSINESS

During the financial year, locore Plc acquired locore Western Europe BVBA and minority interests in companies in the same group: locore Western Europe B.V. and Sarl locore. Shares in Merlin P were also acquired. The acquired companies provide IT expertise and consulting services and had pro forma net sales of EUR 5.8 million during the financial year that ended on 30 September 2000.

locore purchased the EDI business from the Lappeenranta-based MultiCom Software Oy as well as the ASP service agreements concluded under the EDICare brand. The business was transferred to Helsinki. The acquisition signified a strong investment in the EDI business, in particular in the energy industry. The acquisition accounted for a market share of approximately 60% of the EDIEL traffic.

locore constructed several significant systems for the media industry in particular. locore implemented for Aikakausmedia Oy an advertising space sales portal, which was immediately implemented by nearly all major magazines in Finland. locore also implemented a comprehensive TV advertising service for the commercial TV companies in Finland, allowing media houses to electronically purchase TV advertising time. The service delivered by locore has been implemented by MTV Oy and Ruutunelonen Oy as well as major media agencies and Finnpanel Oy in Finland. There was a breakthrough in the international sales of locore's ECG product. A planning and construction consortium Abay TS Group, based in Belgium, and locore Western Europe agreed on delivering locore products for the Belgian road administration's traffic and weather information systems, for example.

locore developed a new version, 3.0, of its locore ECG software, which, owing to its flexibility and new functions, is particularly suitable for sales through the OEM and VAR channels. The product is based on Java technology. locore also developed two new products to support the applications of mobile business: locore ECMessenger and locore ECContent. During the financial year, several OEM contracts were signed, for example, with Automaster Oy, BasWare, Atex Media Oy and Reach-U-Ltd. locore Plc signed also a ten-year lease agreement on office space in the building to be completed at Paciuksenkatu 21. The lessor is the Local Government Pensions Institution Finland.

PRODUCT DEVELOPMENT

The Group's investments in product development were EUR 1,034 thousand during the financial year. This post has been processed as an annual expense. The product development expenses grew 28% from the preceding year (EUR 810 thousand in 2000). 18 people worked with product development at the end of the financial year. Some of the product development people also assist with product installations, if necessary. In addition to salary expenses, also lease and other fixed expenses, focused on the number of R&D personnel, have been included in the product development expenses. The Group's balance includes approximately EUR 9 thousand of product development expenses activated in 1998 – 1999, which are removed during three years in equal instalments.

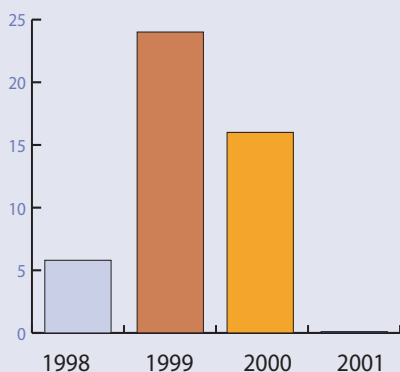
PERSONNEL

The number of personnel at the locore group at the end of the financial year was 179 people, 142 of them in Finland. In addition to permanently employed people, the Group also had 20 contractors. The Group's personnel, without the contractors, grew by 77 people during the financial year. 37 of them work abroad. At the end of the financial year, the parent company locore Plc employed 47 people, with the average at 44 during the financial year. The personnel turnover rate during the financial year was 3.3%.

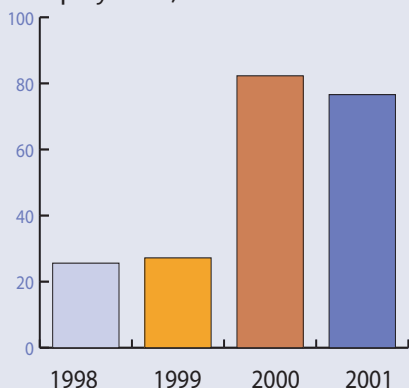
SHARE CAPITAL AND SHARES

The general meeting held in January in relation to the share trade of locore Western Europe approved the board's proposal to increase the share capital from EUR 271,930.20 to a maximum of EUR 342,582.35 with a focused new issue that deviates from the subscription privilege by offering a maximum of 1,413,043 new shares for subscription to the existing shareholders of the aforementioned companies in order to acquire the entire share capital, whereby the shares to acquire were directly transferred to the company as a non-cash issue. The subscription was divided into two parts so that the share capital was first increased by a maximum of EUR 59,782,45 by issuing a maximum of 1,195,649 new shares of the company. In the second stage, the shareholders in the companies locore Western Europe BVBA and locore BV had the right to subscribe to a maximum

Operating profit/loss, % of net sales



Equity ratio, %



of 217.392 new shares of the company, raising the share capital by a maximum of EUR 10.869,60, provided that the net sales of the object to acquire are at the least EUR 8 280 thousand and profit before interest and tax at the least EUR 740 thousand in the financial year ending on 30 September 2001. The right to additional subscriptions was not realised.

In the share issue, the non-cash property was evaluated in such a way that one locore Western Europe BVBA share entitled to 9.607507, one locore BV share entitled to 1.659,25, one locore Sarl share entitled to 117.76 and one Sarl Merlin P share entitled to 231.982 shares of the company.

The subscription price per share was the amount obtained by dividing the net value of locore Western Europe BVBA's equity in the consolidated balance sheet on 31 December 2000 by the number 9.607507 and, for the other companies, dividing the net value of the equity in the balance sheet by 1.659,25 for locore BV, 117.76 for locore Sarl and 231.982 for Sarl Merlin P. There was an economically significant reason for deviating from the subscription right, as the above arrangements were used by the company to acquire a sub-group with which the company can develop and internationalise its business.

One of the vendors, Starbrook International Holding B.V. is a fully owned subsidiary of Mican Ltd, which is a related party to the company. Prior to the above arrangements, Mican Ltd administered 49.7% of the company's shares and votes produced by all shares. locore's registered share capital is EUR 331,712.65, which is divided to 6,634,253 shares. The bookkeeping counter-value of the shares is EUR 0.05/share. The general meeting decided to authorise the board to acquire the company's own shares using profit-distribution assets until 22 January 2002 in such a way that the bookkeeping counter-value or the total number of votes yielded by the shares administered by the company or its subsidiaries would not exceed five (5) percent of the company's share capital or total number of votes after the acquisition. Shares can be acquired in quantities that do not correspond to the ownership ratio between the shareholders in the public trading arranged for by the Helsinki Exchanges. The shares are acquired at their current value at the moment of trade as determined by the

Report of the Board of Directors

public trading. The acquisition price of the shares is paid out to the sellers of the shares according to the regulations of the Helsinki Exchanges and within the term of payment determined by the regulations of the Finnish Central Securities Depository Ltd. Shares can be acquired for use as compensation in the acquisition of property related to a company's business and in company acquisitions, as decided on by the board, or for exchange in the Helsinki Exchanges or for cancellation or in the event that the acquisition otherwise, with consideration to the company's key figures, is conformant to the shareholder's interest in the opinion of the board. Ilocore Plc purchased a total of 800 own shares in several transactions during September 2001 at the Helsinki Exchanges public trading. The compensation paid out for them was EUR 1.60-1.70, and the emphasised average was EUR 1.675 per share. The number of company shares acquired during and owned at the end of the financial year by Ilocore Plc totalled 800. Their portion of the share capital and votes was 0.01%. The acquisition of the company's own shares had no significant impact on the distribution of ownership and votes in the company.

SHARE EXCHANGE AND PRICE DEVELOPMENT

Ilocore Plc's shares are quoted on the NM list at Helsinki Exchanges. The lowest trading price during the financial year was EUR 1.51 and the highest EUR 6.10. A total of 544,750 shares of Ilocore Plc were exchanged on the NM list during the financial year. This amount equals to 8.2% of the company's shares.

The market value of Ilocore's share capital was, at the end of the financial year, EUR 11.3 million.

SHARE OPTION PROGRAMME

Ilocore Plc's general meeting on 22 January 2001 approved Ilocore Plc's share option programme II, whereby Ilocore group's personnel, members of the boards and CEOs of companies in the Group and employees of companies wholly owned by Ilocore Plc are granted share option privileges. A deviation from the shareholder's subscription right can be made, as the share option privileges are intended as part of the personnel's incentive system. Part of the people

entitled to the subscription may belong to the company's related party. A total of 160,000 share option privileges were granted, entitling to the subscription of a total of 160,000 Ilocore Plc shares. The subscription time for the shares with all share option certificates ends on 31 May 2005. The general meeting also approved the board's proposal to amend item II.3 in Ilocore Plc's share option programme I so that share option certificates A and B would have a subscription price of five euros.

INSIDER REGULATIONS

Ilocore Plc conforms to the insider regulations of Helsinki Exchanges, effective 1 March 2000.

COMPANY MANAGEMENT AND ACCOUNTANTS

In the annual general meeting of Ilocore Plc on 22 January 2001, Kari Kontuniemi, Martti Juvén, Pertti Ruosaari, Kari Katajamäki, Mike Frayne and Osmo Suihko were elected as the members of the board. The chairman of the board has been Mike Frayne and Kari Kontuniemi has been the vice chairman. Ilocore's CEO has been Kari Partanen during the past financial year.

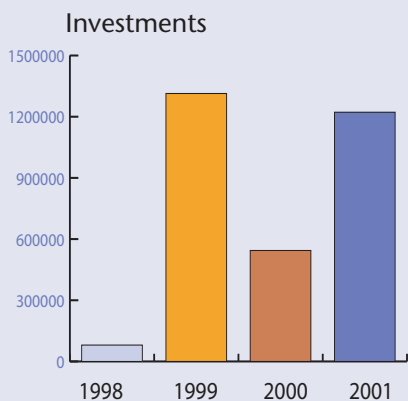
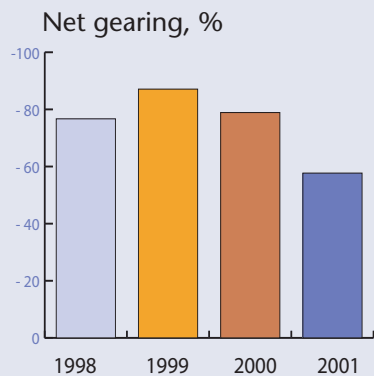
The accountant has been Ernst & Young Finland, and the accountant with principal responsibility has been Authorised Public Accountant Kunto Pekkala.

ESSENTIAL EVENTS AFTER THE TERMINATION OF THE FINANCIAL YEAR

The group's structural reform became effective on 1 October 2001, and business with the new structure has been started. At the beginning of the new financial year, new projects acquired for example from the media and trading industries.

After the negative summer months, business became profitable in Finland. A significant investment has been made to improve the efficiency of the business of Ilocore Western Europe.

On 20 November 2001, the group's long-term CEO, Kari Partanen, discontinued his employment with Ilocore Plc. The board granted Partanen resignation in its meeting on 20 November 2001, and simultaneously appointed the company's Vice CEO, Kari



Katajamäki, as the new CEO. Katajamäki will also continue as the CEO of Iocore Finland Ltd.

All of the company's units in three locations in the Helsinki metropolitan area will get to move to shared premises in Paciuksenkatu 21 at the turn of February-March 2002.

FUTURE OUTLOOK

During this financial year, the goal is to improve the profitability of the Iocore group. Net sales are expected to grow faster than the market. The business focus will be on enterprise business solutions and professional services as well as product business. Growth will take place organically as well as through carefully planned company acquisitions.

Iocore Western Europe's business will be developed to generate profit by clarifying the focus of the business and developing the organisational structure.

In the enterprise business solutions and professional services, the focus will be on building business-to-business systems and to serve our existing long-term customers.

With respect to product business, the focus will be on Value Added Reseller and Original Equipment Manufacturer channel sales. To promote product sales, industry-specific solutions suitable for productisation and based on the Iocore ECG technology are sought. The enterprise business solutions unit will act as an internal VAR channel. Iocore acts strongly in the EAI business (Enterprise Application Integration), which is one of the fastest growing areas of the IT business. According to Gartner Group, investments in this area will strongly grow in the coming years. Iocore has years of experience of delivering EAI projects, as well as the company's own products, which have been installed for more than 100 customers.

The market outlook is favourable.

Consolidated income statement

(1000 euro)	1.10.2000- 30.9.2001	1.10.1999- 30.9.2000
Net sales	13 470	7 926
Other operating income	99	16
Materials and services		
External services	-3 082	-936
Staff expenses		
Wages and salaries	-6 239	-3 035
Social security costs		
Pension expenses	-820	-501
Other social security costs	-295	-212
	-7 354	-3 748
Depreciation and reduction in value		
Depreciation according to plan	-292	-172
Depreciation of goodwill	-118	-105
	-410	-277
Other operating charges	-2 715	-1 712
	-13 561	-6 673
Operating Profit (Loss)	8	1 269
Financial income and expenses		
Other interest and financial income	198	338
Interest and other financial expenses	-513	-31
	-315	-307
Profit before extraordinary items	-308	1 577
Extraordinary items		
Extraordinary charges	0	-81
Profit (loss) before appropriations and taxes	-308	1 495
Change in depreciation reserve	-11	-7
Income taxes	34	-375
Profit (loss) for the financial year	-285	1 114

Consolidated balance sheet

(1000 euro)	30.9.2001	30.9.2000
Assets		
Fixed assets		
Intangible assets	896	233
Goodwill	1 029	1 002
Tangible assets	392	271
	2 317	1 506
Investments		
Other shares and similar rights of ownership	126	86
Current assets		
Short-term assets	3 430	1 785
Shares	1	0
Bonds	3 968	4 401
Cash and bank receivables	1 041	2 271
	8 441	8 458
Total assets	10 885	10 050
Liabilities		
Capital and reserves		
Share capital	332	272
Share premium account	6 976	6 494
Reserve for own share	1	0
Retained earnings	1 281	507
Profit (loss) for the financial year	-285	1 114
	8 305	8 386
Current liabilities		
Long-term liabilities	202	118
Short-term liabilities	2 349	1 528
Provisions for taxation	29	17
	2 579	1 663
Total liabilities	10 885	10 050

Consolidated cash flow statement

(1000 euro)		2000 - 2001	1999 - 2000
Cash flow from operating activities			
Cash from sales	+	14 203	7 472
Cash from other operating income	+	99	16
Charges paid for operating expenses	-	15 035	6 201
Cash flow from operating activities before financial items and taxes	+/-	-733	1 287
Cash flow from operating activities before financial items and taxes	-	513	338
Interests received from operations	+	198	31
Direct taxes paid	-	-160	375
Cash flow before extraordinary items	+/-	-888	605
Cash flow from extraordinary items (net)	+/-	0	-81
Cash flow from operations (A)	+/-	-888	523
Cash flow from investments			
Investments in tangible and intangible assets	-	1 005	766
Current assets of companies acquired by private placing	+	656	0
Gross investments in subsidiaries	-	145	0
Investments in other assets	-	40	0
Cash flow from investments (B)	+/-	-535	-766
Cash flow from investments (B)			
Share issue	+	0	5 169
Share buy-back	-	1	0
Repayment of long-term loans	+/-	-84	411
Dividends paid and other profit distribution	-	326	9
Cash flow from financial operations (C)	+/-	-241	4 749
Net change in cash and cash equivalents (A+B+C) increase (+), decrease (-)		-1 664	4 506
Cash and cash equivalent in the beginning of the financial year		6 673	2 166
Cash and cash equivalents at the end of the financial year		5 009	6 673
		-1 664	4 506

Parent company's income statement

(1000 euro)	1.10.2000- 30.9.2001	1.10.1999- 30.9.2000
Net sales	4 520	2 369
Other operating income	818	348
Materials and services		
External services	-1 825	-24
Staff expenses		
Wages and salaries	-1 699	-1 265
Social security costs		
Pension expenses	-310	-192
Other social security expenses	-89	-112
	-2 098	-1 569
Depreciation and reduction in value	-70	-44
Other operating charges	-1 036	-598
	-5 029	-2 235
Operating profit (loss)	309	482
Financial income and expenses		
Other interest and financial income		
From Group's companies	0	36
From others	165	96
Interest and other financial expenses		
To the Group's companies	-9	0
To others	-442	-27
	-286	105
Profit before extraordinary items	23	587
Extraordinary items		
Extraordinary income	0	530
Extraordinary charges	0	-81
	0	499
Profit (loss) before appropriations and taxes	23	1 036
Appropriations		
Change in depreciation reserve	13	-9
Income taxes	-16	-96
Profit (loss) for the financial year	21	932

Parent company's balance sheet

(1000 euro)	30.9.2001	30.9.2000
Asset		
Fixed assets		
Intangible assets	97	132
Tangible assets	60	66
	158	198
Investments		
Shares in Group's other companies	3 469	2 782
Current assets		
Short-terms assets		
Receivables	937	856
Receivables from Group	912	53
Loan receivables	29	46
Prepayments and accrued income	136	266
Total receivables	2 015	1 222
Bonds and shares	3 969	4 296
Cash and bank receivables	31	618
	6 015	6 137
Total assets	9 642	9 117
Liabilities		
Capital and reserves		
Share capital	332	272
Share premium account	6 976	6 494
Reserve for own shares	1	0
Retained earnings	1 098	493
Profit (loss) for the financial year	21	932
	8 428	8 191
Depreciation reserve	0	14
Current liabilities		
Short-term liabilities		
Trade creditors	250	131
Amounts owed to Group undertakings	417	50
Other creditors	346	471
Accrual and deferred income	201	259
Short-term liabilities	1 214	912
	1 214	912
Total liabilities	9 642	9 117

Parent company's consolidated cash flow statement

(1000 euro)		2000 - 2001	1999 - 2000
Cash flow from operating activities			
Cash from sales	+	4 437	2 350
Cash from other operating income	+	120	348
Charges paid for operating expenses	-	4 795	2 228
Cash flow from operating activities before financial items and taxes	+/-	-238	469
Interests and charges paid for other financial costs for operations	-	451	27
Interests received from operations	+	165	132
Direct taxes paid	-	-111	96
Cash flow before extraordinary items	+/-	-413	479
Cash flow from extraordinary items (net)	+/-	0	398
Cash flow from operating activities (A)	+/-	-413	877
Cash flow from investments			
Investments in tangible and intangible assets	-	30	167
Investments in other assets	-	146	994
Cash flow from investments (B)	+/-	-176	-1 161
Cash flow from financial operations			
Share issue	+	0	5 169
Share buy-back	-	-1	0
Repayment of long-term loans	-	0	362
Dividends paid and other profit distribution	-	326	0
Cash flow from financial operations (C)	+/-	-325	4 807
Net change in cash and cash equivalents (A+B+C) increase (+), decrease (-)		-914	4 523
Cash and cash equivalent in the beginning of the financial year		4 915	392
Cash and cash equivalents at the end of the financial year		4 001	4 915
		-914	4 523

Notes to the financial statement on 30 September 2001

1. Accounting principles

Group structure

At the beginning of the financial year, locore Plc's main owner, Mican Ltd, based in the British Virgin Islands, owned 49.7% of the company's stock.

During the financial year, locore Plc bought the entire stock of locore Western Europe BVBA from Mican Limited's subsidiary Starbrook International Holding B.V. and from private shareholders.

As a result of this trade, Mican Ltd's and Starbrook International Holding B.V.'s combined holdings in locore grew to 51.9%, whereby locore Plc became Mican Ltd's subsidiary.

The locore group is comprised of the parent company locore Plc and the wholly-owned Finnish subsidiaries Microext Oy and locore Solutions Oy.

Furthermore, the Group has, as of 1 January 2001, included the Belgian locore Western Europe BVBA, the Dutch locore B.V., and the French locore Sarl and Sarl Merlin.P, of which locore Plc directly or indirectly owns 100%.

Consolidated financial statement

The consolidated financial statement includes the parent company and all subsidiaries in which the parent company owns more than 50% of votes either directly or indirectly. The subsidiaries acquired during the financial year are included in the consolidated financial statements as of their acquisition date.

Inter-company income and expenses and mutual receivables and payables have been eliminated in the consolidated financial statements. In the income statements and balance sheets, minority interest has been separated from both profit and shareholders' equity. Inter-company shareholding was eliminated by using the acquisition cost method. The differences arising in the elimination of subsidiary shares and shareholders' equity at the date of acquisition is shown as consolidated goodwill, which will be depreciated over the period of ten years.

The consolidated financial statements include income statements from locore Plc, and financial statements from Microext Oy and locore Solutions Oy from 1 October 2000 – 30 September 2001.

The financial statements from locore Western Europe BVBA, locore BV and locore Sarl and Sarl Merlin.P are included in the consolidated financial statement of 1 January 2001 – 30 September 2001.

The acquisition time of locore Western Europe BVBA, locore BV and locore Sarl and Sarl Merlin.P has been entered as 1 January 2001, as of which date they have been taken into account in the consolidated balance sheet.

Fixed assets and other long-term investments

Fixed assets are entered in the balance sheets at the original acquisition cost less planned depreciation. Planned depreciation is based on the estimated financial period of use and is calculated on a straight-line basis.

Activated product development costs are comprised of activations carried out by the acquired locore Solutions subgroup during preceding years.

The goodwill accrued through the acquisition of the subsidiaries and businesses will be depreciated in 10 years.

The productisation of products for the market takes approximately 3–4 years, they will be marketed for 6–7 years, and the life cycle of the product will be 7–15 years.

There are contractual commitments to the maintenance of the products.

The development of products currently on sale was started some ten years ago.

The depreciation periods are as follows:

Product development costs	3 years
Major renovation of rented premises	2 years
Computer software	3-4 years
Consolidated goodwill	10 years
Equipment	8 years
Computer hardware	4 vuotta

Securities

Securities are entered at their acquisition cost or at a lower market price.

Retirement plans

The pension schemes of the Group's Finnish employees are administered by an external pension insurance company. Pension schemes for foreign subsidiaries have been arranged according to local legislation.

Comparability of the financial years

The consolidated financial statements include the financial statements of Ilocore plc, Microext Oy, Ilocore Solutions Oy from 1 October 2000 to 30 September 2001.

The financial statements from Ilocore Western Europe BVBA, Ilocore B.V and Ilocore Sarl and Sarl Merlin P are included in the consolidated financial statements of 1 January 2001 – 30 September 2001.

The reference figures include the financial statements of Ilocore Plc and Intec Software Solutions Oy as well as the subgroup Ilocore Solutions Oy from 1 October 1999 – 30 September 2000, as well as the financial statements from Microext Oy from 1 April 2000 – 30 September 2000.

Notes to income statement

2. Net sales

Net sales are calculated by subtracting issued discounts and indirect sales taxes from sales profit. Sales profit is entered as profit at the time the goods or services are delivered. Customer projects with a fixed price are recorded in phases as the specified project milestones are met.

Net sales by business area:

(1000 euro)	Group 2001	2000	Company 2 001	2000
e-Commerce software products and services	2 829	1 906		
Systems integration and professional services	10 641	6 020	4 520	2 369
Total	13 470	7 926	4 520	2 369
3. Other operating income				
Income from lease	5	16	0	0
Received allowances	83	0	0	0
Administrative services	11	0	818	348
	99	16	818	348

Notes to the financial statement on 30 September 2001

4. Personnel expenses	Group 2 001	2000	Company 2 001	2000
Wages and salaries	6 239	3 035	1 699	1 265
Pension expenses	820	501	310	192
Other personnel expenses	295	212	89	112
Total	7 354	3 748	2 098	1 569
Salaries and fees paid to the management, which are included in the above figures:				
CEO and Vice Executive President of the parent company and Managing Directors of the subsidiaries	404	246	209	162
Board members	11	40	8	0
Total	416	286	217	162
5. Average number of personnel	155	93	42	29
6. Depreciation and reduction in value				
Depreciation of tangible and intangible assets	292	172	70	44
Depreciation of goodwill	118	105	0	0
	410	277	70	44
7. Financial income and expenses				
Dividend income				
From Group companies	0	0	0	36
From elsewhere	0	0	0	0
Dividend income, total	0	0	0	36
Other interest and financial income				
Income from dividends from Group companies	0	0	0	0
Income from other fixed assets	197	338	164	96
Interest income, total	197	338	165	96
Interest payable and other financial expenses				
To Group companies			-9	0
Other interest and financial expenses	-69	-31	-7	-27
Interest expenses, total	-69	-31	-17	-27
Devaluation				
Devaluation of marketable securities in current assets	-444	0	-434	0
Financial income and expenses, total	-315	307	-286	105
The item interest and financial income includes foreign exchange profit (net)	0	43	0	43

8. Extraordinary items

	Group 2001	2000	Company 2001	2000
Extraordinary income				
Remainder from the merger of subsidiaries			0	530
Extraordinary expenses				
Share issue-related expenses	0	-81	0	-81
Total	0	-81	0	449

9. Appropriations

Difference of planned depreciation and depreciation used in taxation			13	-9
--	--	--	----	----

10. Income taxes

The share of Icore Plc of the 1999 taxes of ISS Ltd		41		41
Income taxes on ordinary operations	-34	333	16	54
Change in deferred tax liability	11	7		
Income taxes, total	-22	381	16	96

Notes to balance sheet

11. Marketable securities

The marketable securities are mainly comprised of shares of the mutual funds in the public market.

	Group 2001	2000	Company 2001	2000
Shares of mutual funds				
Interest funds				
Replacement price	3 188	3 941	3 188	3 834
Net book value	3 144	3 933	3 144	3 828
Difference	44	8	44	5
Equity funds				
Replacement value	824	474	824	474
Net book value	824	468	824	468
Difference	0	7	0	7

12. Fixed assets and other long-term investments

Activated product development costs				
Acquisition cost				
At the beginning of the period	81	71		
Increase	0	10		
Decrease	0	0		
Acquisition cost 30 Sep	81	81		
Accumulated depreciation				
At the beginning of the period	-52	-23		
Depreciation during the period	-19	-29		
Accumulated depreciation 30 Sep	-71	-52		
Balance sheet value 30 Sep	10	29		

Notes to the financial statement on 30 September 2001

Other long-term costs

	Group		Company	
	2001	2000	2001	2000
Acquisition cost				
At the beginning of the period	259	82	163	27
Increase	148	177	6	136
Decrease	-0	0	0	0
Acquisition cost 30 Sep	406	259	169	163
Accumulated depreciation				
At the beginning of the period	-55	-11	-31	-8
Depreciation during the period	-95	-44	-40	-23
Accumulated depreciation 30 Sep	-150	-55	-72	-31
Balance sheet value 30 Sep	256	204	97	132

Goodwill

Acquisition cost				
At the beginning of the period	0	0	0	0
Increase	676	0	0	0
Decrease	0	0	0	0
Acquisition cost 30 Sep	676	0	0	0
Accumulated depreciation				
At the beginning of the period	0	0	0	0
Depreciation during the period	-45	0	0	0
Accumulated depreciation 30 Sep	-45	0	0	0
Balance sheet value 30 Sep	631	0	0	0
Intangible assets, total	896	233	97	132

Consolidated goodwill

Acquisition cost		
At the beginning of the period	1 107	968
Acquisition related cost	145	138
Decrease		0
Acquisition cost 30 Sep	1 251	1 107
Accumulated depreciation		
At the beginning of the period	-105	0
Depreciation during the period	-118	-105
Accumulated depreciation 30 Sep	-223	-105
Balance sheet value 30 Sep	1 029	1 002

Tangible assets

	Group		Company	
	2001	2000	2001	2000
Machinery and equipment				
Acquisition cost				
At the beginning of the period	422	193	116	76
Increase	254	230	23	40
Decrease	0	0		0
Acquisition cost 30 Sep	676	422	140	116
Accumulated depreciation				
At the beginning of the period	-152	-53	-50	-28
Depreciation during the period	-132	-99	-30	-22
Accumulated depreciation	-284	-152	-79	-50
Balance sheet value 30 Sep	392	271	60	66

Other long-term investments

Holdings in Group companies				
locore Solutions Oy			1 434	1 434
Microext Oy			1 348	1 348
locore Western Europe+ Merlin P			687	0
Total			3 469	2 782

Investments

Housing Corporation Topeliuksenkatu 37	85
Elisa Communications Corporation	1
locore Western Europe	40
	126

Group companies

	Group's ownership	Parent company's ownership %
Microext Oy	100,0	100,0
locore Solutions Oy	100,0	100,0
locore Western Europe BVBA	100,0	100,0
locore B.V.	100,0	100,0
locore Sarl	100,0	100,0
Sarl Merlin P	100,0	100,0

13. Receivables

	2001	2000	2001	2000
Trade receivables	3 073	1 407	923	856
Receivables from Group companies				
Trade receivables			857	53
Prepayments and accrued income			0	0
Loan receivables			55	0
Total			912	53
Prepayments and accrued income	300	308	136	266
Loan receivables	38	46	29	46
Other receivables	19	24	14	0
Receivables, total	3 430	1 785	2 015	1 222

Notes to the financial statement on 30 September 2001

14. Shareholders' equity

	Group 2001	2000	Company 2001	2000
Share capital 1 Oct	272	8	272	8
Bonus issue and split		167		167
New issue 30 Mar 2000		16		16
New issue 5 May 2000		9		9
New issue 18 May 2000		65		65
Merger compensation to the minority interest of Independent Software Solutions Ltd		7		7
New issue 24 July 2001	60		60	
Share capital 30 Sep	332	272	332	272
Share premium account 1 Oct	6 494	0	6 494	0
Emission profit	483	6 815	483	6 815
Recorded share issue expenses		-322		-322
Share premium account 30 Sep	6 976	6 494	6 976	6 494
Reserve for own shares 1 Oct	0		0	
Increase	1		1	
Reserve for own shares 30 Sep	1		1	
Retained earnings 1 Oct	1 621	770	1 426	660
Dividend paid	-326		-326	
Transfer into share capital		-167		-167
Transfer to reserve for own shares	-1		-1	0
Group elimination	-12	-96		
Retained earnings 30 Sep	1 282	507	1 098	493
Profit for the period	-285	1 114	21	932
15. Calculation of distributable funds				
Retained earnings	1 281	507	1 098	493
Profit for the period	-285	1 114	21	932
Activated product development costs	-10	-29	0	0
Portion of accumulated depreciation difference recorded into share capital	-65	-42	0	0
Distributable funds 30 Sep	921	1 550	1 119	1 426
16. Deferred tax liabilities				
Appropriations	29	17		
17. Long-term liabilities				
Other long-term liabilities	202	118	0	0
Long-term liabilities, total	202	118	0	0
Debt due after five years	29			

18. Short-term liabilities

	Group 2001	2000	Company 2001	2000
Accounts payable	1 216	265	250	131
Liabilities to Group companies				
Accounts payable			140	50
Other liabilities			277	
Total			417	50
Other liabilities	555	590	346	471
Accrued expenses and deferred income	578	674	201	259
Short-term liabilities, total	2 349	1 528	1 214	912

19. Pledges, collateral and other contingent liabilities

Pledged collaterals

Administered by Sampo Pankki Oyj

Business Mortgage Ilocore Plc Numbers 1 – 3 à 84

252	252	252	252
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Other collateral

Rent guarantees

60	39	31	30
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Leasing liabilities

 Payable during the financial year 2002

302	150	73	42
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 Payable later

383	152	76	37
-----	-----	----	----

Total

685	302	149	78
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The leasing agreements are conformant to generally used leasing terms. There is no redemption right at the end of the contracting term.

20. Management ownership

On 30 September 2001, Ilocore Plc's Board members and CEO held directly a total of 945,429 of the Company's shares. This amounts to 14.3% of the Company's share capital and votes.

In addition, the Board members and CEO held a total of 9,600 option rights to the Company's shares. These option rights authorise the subscription of a maximum of 9,600 Ilocore Plc shares, or 0.1% of the Company's share capital.

21. Shares and shareowners

Ilocore Plc's shares are quoted on the NM list at Helsinki Exchanges. The Company provides one series of shares in which all shares have equal suffrage and right to dividend.

At the end of the financial year the number of shares amounted to 6,634,253. The share capital of the Company amounts to at least EUR 150,000 and at most to EUR 600,000. These form the acceptable limits for the raising and lowering of share capital without having to change Company statutes. The Company's share capital at the end of the financial year was EUR 331,712.65.

Price development and turnover

Ilocore Plc's shares are quoted on the NM list at Helsinki Exchanges. The lowest trading price during the financial year was EUR 1.51 and the highest EUR 6.10. A total of 544.750 shares of Ilocore Plc were exchanged during the financial year. This amount equals to 8.2% of the Company's shares.

Share capital market value

The market value of Ilocore's share capital was, at 30 September 2001, EUR 11.3 million.

Notes to the financial statement on 30 September 2001

Dividend policy

The Company prefers a moderate dividend policy. The following issues are taken into account when management is drafting a proposal on how to distribute the dividends: the Group's profit development, financial structure, requirements for capital, and growth expectations.

Share option programme

Deviating from the shareholders' first option to subscribe, the share option rights were granted to employees of locore Group, members of the Board of Directors of companies in the Group and the Managing Directors. The purpose of the option arrangement is to motivate and increase commitment in the people who take part in the option system in order to increase locore's shareholder value in the long run. The Annual General Meeting decided on 22 January 2001 to expand the share-option programme by 160,000 share options in addition to the existing 250,000 share options. Both share-option programmes are subject to the same terms, as the Annual General Meeting also decided to decrease the subscription price of the first two portions of the option certificates issued earlier to 5.00 per EUR share.

Part of the option certificates have been granted to locore Finland Ltd, a fully-owned subsidiary of locore Plc, so that they can later be offered to new employees and the Group's personnel through the Group's incentive system.

The share option programme has been divided into four equal periods so that each period begins on 1 June of the respective year from 2001 – 2004. It will no longer be possible to subscribe option certificates after 31 May 2005. The subscription price during the two first periods will be EUR 5.00 per share. The price for the third and fourth periods will be determined by the weighted average price in May 2001 of locore Plc shares on the Helsinki Exchanges, which was EUR 2.77.

Shares that are subscribed with options represent 6.2% of the share capital and the total number of votes. Based on the Company's option arrangement, the CEO is entitled to 0.02% of the shares and votes.

Shareholders

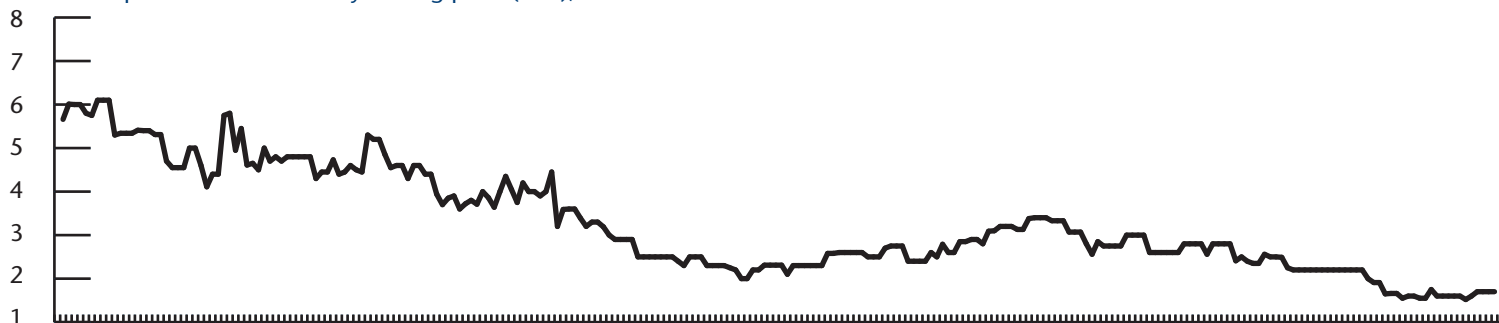
At the end of the financial year on 2001, locore Plc had 965 registered shareholders.

Per share indicators

EUR	30.9.2001	30.9. 2000	30.9.1999
Earnings/share (Group)	-0,04	0,29	0,13
Earnings/share (parent company)	0,00	0,12	0,10
Shareholders' equity/share	1,25	1,54	0,17
Dividend/share	0,06	0,00	0,00
Number of shares (weighed average) adjusted by the share issue	6 335 341	4 126 662	3 500 000
Number of shares at the end of the financial year adjusted by the share issue	6 634 253	5 438 604	3 500 000

Shareholdings in locore Plc

	Holdings	%	Shares	%
Companies in total	60	6,2	276 830	4,2
Financial/insurance institutions	8	0,7	391 240	5,9
Public corporations	9	0,9	97 700	1,5
Non-profit organisations	9	0,9	120 180	1,8
Households	861	89,3	1 767 887	26,6
Foreign	18	1,9	3 980 416	60,0
Total	965	100,0	6,634 253	100,0



Distribution of shares in order of magnitude

Number of Shares	Holders		Number of Shares	
	pcs	%	pcs	%
1 - 100	524	54,3	51 700	0,8
101 - 1 000	295	30,6	123 363	1,9
1 001 - 10 000	115	11,9	305 610	4,6
10 001 - 100 000	20	2,1	749 606	11,3
100 001 - 1 000 000	10	1,0	2 694 667	40,6
1 000 001 -	1	0,1	2 709 307	40,8
Total	965	100,0	6 634 253	100,0

Major shareholders

NAME	Shares	%
MICAN LIMITED	2 709 307	40,84
STARBROOK INTERNATIONAL HOLDING B.V.	732 859	11,05
SUIHKO OSMO	272 600	4,11
PARTANEN KARI LEO TAPANI	268 700	4,05
MYKKÄNEN MARKKU	250 005	3,77
KATAJAMÄKI KARI JOHANNES	250 005	3,77
VANDEKEYBUS JAN ELISABETH JOSEF	224 220	3,38
EVLI FINLAND SMALL TECH	217 000	3,27
SAMPO INSURANCE COMPANY PLD	209 200	3,15
KONTUNIEMI KARI	154 124	2,32
OTHERS	1 346 233	20,29
TOTAL	6 634 253	100,00

Calculation of indicators

Return on equity (ROE), %

$$\frac{\text{Profit before extraordinary items, voluntary provisions and taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{voluntary provisions and depreciation difference} - \text{deferred tax liability} + \text{minority interest (average)}} + 100$$

Return on investment (ROI), %

$$\frac{\text{Profit before extraordinary items, voluntary provisions and taxes} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{interest-free liabilities (average)}} + 100$$

Net gearing

$$\frac{\text{Liabilities subject to interest} - (\text{securities under current assets} + \text{cash and bank receivables})}{\text{Shareholders' equity} + \text{voluntary provisions and depreciation difference} - \text{deferred tax liability} + \text{minority interest}} + 100$$

Equity ratio

$$\frac{\text{Shareholders' equity} + \text{voluntary provisions and depreciation difference} - \text{deferred tax liability}}{\text{Balance sheet total} - \text{advances received}} + 100$$

Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items, voluntary provisions and taxes} - \text{income taxes} + / - \text{minority share}}{\text{Average number of shares adjusted by the share issue}}$$

Shareholders' equity per share, adjusted

$$\frac{\text{Shareholders' equity} + \text{voluntary provisions and depreciation difference} - \text{deferred tax liability} + / - \text{minority share}}{\text{Number of shares at the end of the financial year}}$$

Profit distribution proposed by the Board of Directors

The Group's distributable funds total EUR 921,223.01. The parent company's distributable funds total EUR 1,119,065.92, of which the profit for the financial year is EUR 21,055.32.

The Board of Directors proposes to the General Meeting that the distributable funds be used as follows:

- EUR 0.03/share distributed as dividend, total	199,027.59
- left in shareholders' equity	<u>920,038.33</u>
	1,119,065.92 EUR

Helsinki, December 17th, 2001
Mike Freyne, Chairman
Kari Kontuniemi, Vice Chairman
Martti Juvén

Kari Katajamäki, CEO
Pertti Ruosaari
Osmo Suihko

Auditor's report

To the shareholders of Ilocore Plc

We have audited the accounting, the financial statements and the corporate governance of Ilocore Plc for the period from 1 October 2000 to 30 September 2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statement, balance sheet and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Management as well as evaluating the overall financial statement presentation. The purposes of our audit of corporate governance are to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give true and fair view, as defined in the Accounting Act, of the Company's result of operations as well as of the financial position. The financial statements can be adopted and members of the Boards of Directors and Managing Director can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the retained earnings is in compliance with the Companies Act.

Helsinki, 28 December 2001

TILINTARKASTAJIEN OY – ERNST & YOUNG

Kunto Pekkala
Authorised Public Accountant

Corporate governance

Iocore Plc's method of governing and administration policy comply with the operating guidelines concerning the governing of publicly listed companies issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

Tasks and responsibilities of the Board of Directors

The tasks and responsibilities of the Board of Directors are mainly defined by the Finnish Companies Act and the statutes of the Company's Articles of Association. All issues that have long-term effects on the Company are discussed in Board meetings. These include, for example, approving strategies, ratifying annual budgets and operating plans, as well as deciding on major investments, the sale of property or acquisitions.

Election of Board members and terms of office

Iocore Plc's Board of Directors shall consist of a minimum of three and a maximum of eight members. The members of the Board are elected by the Annual General Meeting, which assembles each year within six months from the end of the previous financial year. The number of terms of Board members is not limited in the Company's Articles of Association.

The General Meeting elects the Chairman and Vice Chairman of the Board of Directors. The Board convenes approximately ten times per year. Most of the Board meetings are held at the Company's headquarters in Helsinki.

CEO

The Board of Directors elects the Chief Executive Officer. Kari Partanen (M.Sc. Econ.) has acted as the Group's CEO since 1997. After Kari Partanen resigned as CEO on 20 November 2001, Kari Katajamäki was appointed as his successor.

Organisation of business operations and distribution of responsibilities

The Company's executive management directs the Group's business operations in accordance with the guidelines specified by the parent company's Board of Directors. The Group's CEO heads the executive management, which includes directors responsible for different business areas.

Salaries and fees

During the financial year, the salaries, fees and fringe benefits paid to the members of the Group's Board of Directors and to the CEO and Managing Directors totalled EUR 415,627.

The Group has an option arrangement arrangement that acts as a part of the incentive system for personnel and the members of Board of Directors.

On 30 September 2001, the members of the Board of Directors held directly a total of 945,429 of the Company's shares, amounting to 14.3% of the share capital and votes.

Auditing

The Group's companies are audited by the Authorised Public Accountants Tilintarkastajien Ltd - Ernst & Young. The partner-in-charge is Kunto Pekkala, an Authorised Public Accountant.

Organisation

Board of Directors

Chairman

Mike Frayne, MBA, B.Sc.
Mican Ltd
Managing Director
Chairman since 1999

Vice Chairman

Kari Kontuniemi, M.Sc. (Eng.)
Vice Chairman since 2001

Martti Juvén, M.Sc. (Eng.)
Konsultointi Martti Juvén Ltd
Managing Director
Member since 1999

Kari Katajamäki, M. Sc. (Econ.)
Iocore Plc
Managing Director
Member since 2000

Pertti Ruosaari, Engineer
Pertti Ruosaari Ltd
Managing Director
Member since 1999

Osmo Suihko
Iocore Suomi Ltd
Director
Member since 1997

MANAGEMENT OF IOCORE PLC

CEO

Kari Katajamäki

Finance

Seppo Keski-Pukkila

Communications and Marketing

Ile Könönen

MANAGEMENT OF IOCORE FINLAND LTD

CEO

Kari Katajamäki

Professional Services

Osmo Suihko

Strategy Consulting

Antti Numminen

Enterprise Business Solutions

Tom Puusola

Product Business

Heikki Kontuniemi

Network Services

Markku Mykkänen

Tampere Regional Unit

Markku Nikkilä



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iocore subsidiaries and sites is available
on the Group's Internet home page
www.iocore.fi.