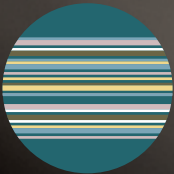




JIPPII GROUP ANNUAL REPORT 2002



WWW.JIPPIIGROUP.COM

## INFORMATION FOR SHAREHOLDERS

### ANNUAL GENERAL MEETING

Jippii Group Corporation's Annual General Meeting for the 2003 financial year will be held at 10 a.m. on Friday, 11 April 2003, in the auditorium of the Alto Building in Quartetto Business Park in Espoo. The address is Linnoitustie 4 B, 02600 Espoo.

The right to participate in the Annual General Meeting rests with a shareholder who by 28 March 2003 has been entered as a shareholder in the company's shareholder register that is kept by Finnish Central Securities Depository Ltd. Shareholders who wish to attend the Annual General Meeting must notify the company of their intention to do so by 4 p.m., 8 April 2003, at the latest, either in writing to the address Jippii Group Corporation, Linnoitustie 4 B, 02600 Espoo, Finland, by faxing +358 9 4243 0867 or by e-mailing susanna.ketola@jippiigroup.com. We request that any proxies be submitted with the notification.

The financial statement documents and the proposals of the Board of Directors, complete with annexes, will be made available for perusal at the company's head office for one week before the Annual General Meeting.

### DIVIDEND PAYOUT

The Board of Directors proposes that no dividend be paid and the loss for the financial year be transferred to accumulated profit/loss.

### FINANCIAL INFORMATION

Jippii Group Corporation will publish the following Interim Reports in 2003:

Interim Report, January–March, 8 May 2003

Interim Report, April–June, 7 August 2003

Interim Report, July–September, 6 November 2003

The Annual Report and Interim Reports are published in Finnish and English. Interim Reports will not be printed; rather, they will be published as stock exchange bulletins and on the company's site, [www.jippiigroup.com](http://www.jippiigroup.com). Copies of Interim Reports can be ordered from Jippii Group's Communications Unit:

Jippii Group Corporation, Communications Unit, Linnoitustie 4 B, 02600 Espoo, Finland  
e-mail: [communications@jippiigroup.com](mailto:communications@jippiigroup.com), tel. +358 9 4243 0001, fax +358 9 4243 0867

### CHANGES IN PERSONAL AND ADDRESS INFORMATION

We request shareholders to inform the book-entry register in which the book-entry account is kept of any changes in personal and address information. If the custodian is Finnish Central Securities Depository Ltd, send such notifications to Finnish Central Securities Depository Ltd, P.O. Box 361, 00131 Helsinki, Finland.

### INVESTOR RELATIONS

CEO Matti Vikkula, tel. +358 9 4243 0606

e-mail: [matti.vikkula@jippiigroup.com](mailto:matti.vikkula@jippiigroup.com)

Communications Manager Tarja Österberg, tel. +358 9 4243 0260

e-mail: [tarja.osterberg@jippiigroup.com](mailto:tarja.osterberg@jippiigroup.com)

e-mail: [communications@jippiigroup.com](mailto:communications@jippiigroup.com)

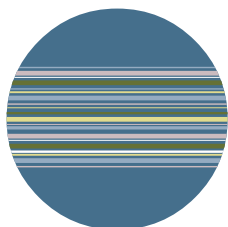
The best source for the latest news, events and bulletins concerning Jippii Group is the Internet site [www.jippiigroup.com](http://www.jippiigroup.com).

## JIPPII GROUP CORPORATION'S BUSINESS UNITS

### INTERNET AND TELEOPERATOR

#### EUNET FINLAND

EUnet Finland provides top-notch Internet subscriptions, server space services and data security solutions for large and medium-sized companies.



#### SAUNALAHTI

Saunalahti offers a wide range of Internet, telecommunications and GSM services as well as domain and hosting services for consumers and small companies.



### MOBILE ENTERTAINMENT

#### JIPPII

The Mobile Entertainment unit offers mobile entertainment services for consumers through its Jippii Club community portal as well as end-to-end solutions for the needs of the music industry, device manufacturers and operators.



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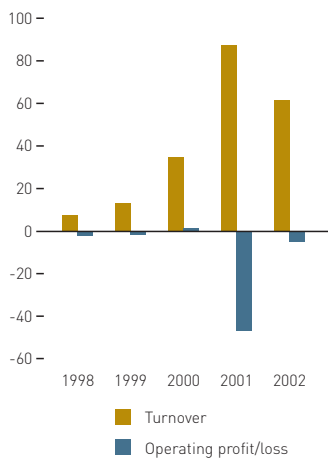
Jippii Group Corporation focuses on two business areas: Internet and teleoperator activities in Finland and international mobile entertainment. In Finland, the Group offers Internet and telecommunications services for consumer customers under the brand name Saunalahti and for corporate customers under the brand name EUnet Finland. The brand name Jippii is used in marketing the Group's international mobile entertainment services. In 2002, the Group's turnover was EUR 61.6 million. At the end of 2002, the Group employed 205 people.

The Saunalahti unit offers Internet and telecommunications services for consumers and small companies. Saunalahti's business operations are divided into four product lines: Internet services, GSM services, telecom services, and domain and hosting services. Its principal functions are Marketing, Helpdesk as well as Sales and Customer Service. Saunalahti stands out from the competition by offering cheap rates, being closer to people, taking strong stands and opposing restrictions.

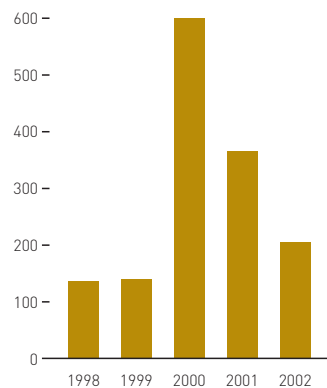
Jippii Group's business unit EUnet Finland provides top-notch Internet solutions for large and medium-sized companies. In addition to Internet subscriptions, the unit offers its customers server space services and data security solutions. All of EUnet Finland's products and services utilise the company's international backbone network. The backbone network connections both within Finland and those linked to Europe's major inter-connection points boast top-of-the-line capacity. All EUnet Finland's connections have been ensured with backup routing.

Jippii Group's Mobile Entertainment unit markets and offers value-added services for mobile phones. Its focus area comprises mobile entertainment applications for consumers (ring tones, logos and games) and customised end-to-end solutions for the needs of the music industry, equipment manufacturers and operators. Jippii Club, the company's entertainment portal for consumers, is the main distribution channel for the Mobile Entertainment unit. At the end of 2002, Jippii Club was active in 19 countries and was one of the leading providers of mobile entertainment services in Europe.

**GROUP TURNOVER AND OPERATING PROFIT/LOSS, EUR MILLION**

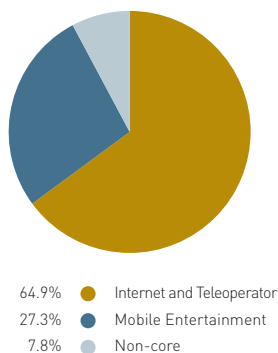


**GROUP PERSONNEL AT THE END OF THE FINANCIAL YEAR**

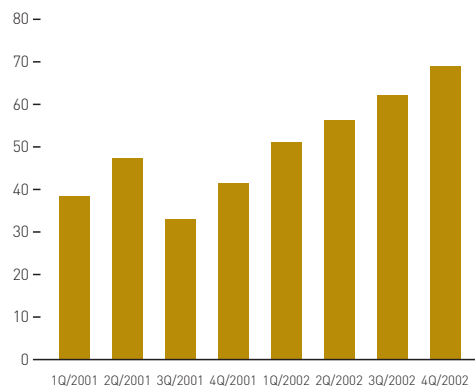


- Jippii Group focused on the development of core business functions in line with the strategy. The Group’s business operations were divided into two areas: Internet and teleoperator activities in Finland and international mobile entertainment.
- In the case of Internet and teleoperator activities, the Group focused on improving profitability and the integration of the EUnet Finland business that was acquired from KPNQwest Finland’s bankruptcy estates in summer 2002.
- During the first part of the year, the Mobile Entertainment unit pursued a growth-oriented strategy, which was then discontinued in mid-2002. Since then, the unit has devoted its efforts to improving profitability.
- The Group divested its Internet and teleoperator activities outside Finland.
- Jippii Group Corporation’s negotiations with its main creditors, begun at the end of 2001, were successful. The company’s financial situation was stabilised and it withdrew its pending restructuring application in February 2002.
- The Internet and Teleoperator unit’s consumer brand, Saunalahti, was launched in autumn 2002. EUnet Finland concentrated on serving medium-sized and large corporate customers. As from the end of autumn 2002, the Jippii brand has been used only in Mobile Entertainment services.
- In December 2002, Jippii Group Corporation decided to incorporate its mobile entertainment operations. As from the beginning of January 2003, such operations have been attended to by Jippii Mobile Entertainment Oy, a wholly-owned subsidiary of Jippii Group Corporation.
- In 2002, the Group’s operations were strongly reorganised. Thus, the Group was able to improve its operational efficiency significantly.

TURNOVER BY BUSINESS UNIT



TURNOVER/EMPLOYEE, EUR 1,000







coup de vent sur les Poulain

**2002 WAS A UNIQUE, MOMENTOUS AND VERY  
CHALLENGING YEAR FOR JIPPII GROUP**

The changes sweeping through the Internet and telecom markets caused players to reassess their service portfolios and earnings models. The aggressive growth strategies of IT/telecom companies in 2000–2001 led to great investments in the form of acquisitions and projects to develop new types of technology. A significant share of investments in the field turned out to be either made in error or were simply too large, at least in the short-term perspective. Values slumped, impacting significantly on companies' equity, costs and the availability of funding. The deployment of new technologies was delayed significantly in the field.

In the first half of the review year, Jippii Group focused on the implementation of the new strategic policy formulated in autumn 2001. The effort concentrated on the rapid improvement of profitability, the divestment of non-core functions and the stabilisation of the financial position.

The major event in our Internet and teleoperator business was the formation of EUnet Finland by means of an acquisition of business functions in July 2002. The new unit serves large companies and is strong, profitable and technologically highly capable. The Saunalahti brand, relaunched in the autumn, is targeted at the consumer market, where it was well received. Thanks to its marketing measures and competitive products, Saunalahti has once again begun to grow in consumer services – especially in GSM and ADSL subscriptions.

The profitability trend of the Mobile Entertainment unit did not measure up to expectations in 2002. The key challenge facing us during the present year is to achieve profitability in our business operations under the Jippii Club brand and distribution channel. This will call for substantial increases in marketing measures and further cost cutting. The growth areas are ring tones and logos, particularly in those European markets where Jippii Club has already established a significant market position.

All non-core business functions were divested in 2002. The major divestments took place in Spain, the UK, the Czech Republic, Denmark, Sweden and Finland. These business functions were primarily local Internet and teleoperator functions.

2003 has begun favourably for the Group – we are on the road of growth again. Our cost structure is becoming healthy rapidly and we are letting go of functions that are inefficient from the standpoint of our core businesses.

**IT WILL BE A CHALLENGE TO ACHIEVE OUR GOALS IN 2003, BUT OUR  
COMPETITIVE POSITION HAS IMPROVED SIGNIFICANTLY IN THE SPACE  
OF A YEAR. WE ARE THUS VERY HOPEFUL ABOUT 2003.**

The individual growth strategies of our business units are based on very different factors. In the case of Saunalahti, GSM and ADSL subscriptions offer the most significant growth potential in the consumer segment. EUnet aims to bolster its market leadership in IP transit services for companies. Mobile Entertainment focuses on marketing high-quality ring tones through the Jippii Club distribution channel.

I would like to extend my warmest thanks to all of our employees for their hard work during the year now ended – they have shown great resolve in uncertain and challenging conditions. I would also like to thank our customers and partners, who have given us excellent support and encouraged us to go one better. It is time to fulfil our promises!

Helsinki, March 2003



Matti Vikkula

CEO





I N T E R N E T   A N D  
T E L E C O M M U N

EUnet Finland provides top-notch IP-based services and end-to-end solutions for large and medium-sized companies, primarily in Finland. In addition to Finland, the unit provides connections in countries covered by EUnet's international backbone network. At present, these countries are Sweden, Germany and the UK.

eunet



## I C A T I O N S   O P E R A T O R

**EUNET FINLAND**

All of EUnet Finland's products and services utilise the company's international backbone network. The backbone network connections both within Finland and those linked to Europe's major inter-connection points boast top-of-the-line capacity. All connections have been ensured with backup routing.

In 2003, EUnet Finland will expand its service range to other countries. Services will be offered by working in close co-operation with partners. In the initial stage, EUnet will expand to the Nordic and Baltic countries.

**EUNET FINLAND'S BUSINESS OPERATIONS**

Jippii Group Corporation acquired KPNQwest's Finnish business functions in July 2002. The EUnet Finland unit was formed by merging the Internet and teleoperator functions of KPNQwest Finland Oy and Jippii Group Corporation. Business operations and the unit's clientele have both seen significant growth from day one.

EUnet Finland's clientele primarily comprises medium-sized and large Finnish companies. The strength of its expertise is most evident in the number of banking, finance and IT customers that have chosen it as their service provider. In 2002, EUnet Finland also achieved a strong foothold among companies operating in traditional fields of industry.

Some of Jippii's largest corporate customers have also been integrated into EUnet Finland's business operations; in this manner, they can be provided with customised services. This project will be fine-tuned in spring 2003.

**SERVICES**

EUnet keeps itself highly informed of the needs of customers and provides innovative service packages that meet their wishes. The service packages are created from individual, carefully specified products and are tailor-made for each customer. EUnet products are designed so that they can be combined to form a seamless service package.

**INTERNET SUBSCRIPTIONS**

Internet Access products give customers the keys to the Internet. The product solutions range from simple basic connections to high-capacity resilient connections in which the network is monitored constantly.

The overhauled non-switched InterEUnet connections are meant for full-fledged Internet use and for linking up a corporate customer's business locations over EUnet Finland's broadband, resilient and safe backbone network. An InterEUnet subscription includes intranet, extranet, e-commerce and multimedia services, along with regular e-mail, FTP and web services.

The DialEUnet service comprises an Internet subscription for small and medium-sized companies that works over an ordinary landline or ISDN connection. It is suitable for companies whose number of Internet users typically ranges from one to several dozen or whose organisation is decentralised and does not require a non-switched connection.

Traveller is an international service for people who travel frequently and need user-friendly and affordable Internet access on their voyages. With this service, people can go online in over 150 countries with a single subscription and without having to make expensive international calls to Finland. Traveller service users can access the Internet and their company's database from all over the world.

### **FLEX SERVICES**

EUnet Finland offers the option of including Flex services in a company's ordinary Internet subscription. Flex provides flexibility in the pricing of corporate telecommunications connections. In this new service, the pricing of the Internet subscription is based on the use of bandwidth instead of a nominal speed, unlike an ordinary subscription. However, the customer will always be able to utilise the maximum speed assigned for the connection. A Flex agreement is especially well suited to companies that know they may occasionally require a great deal of bandwidth.

### **SERVER SPACE SERVICES**

EUnet Finland offers its customers hosting services (Server Hotel, Server Motel, Web Hotel). EUnet Finland's premises in Leppävaara, Espoo, feature about 1,700 m<sup>2</sup> of hosting space designed to measure up to stringent criteria. The server space is an ideal location for customers' servers, as its high-speed and resilient backbone network connections ensure sufficient capacity and the reliability of connections. Camera surveillance and electronic access control are used for on-site security. The data centre environment is monitored continuously, and automation regulates temperature, air moisture and other climate factors that significantly affect the condition of servers.

EUnet Finland's Server Hotel is a service environment in which one or more of a customer's servers can be linked to the Internet both flexibly and securely. EUnet's Server Motel in turn is targeted at customers who require less space for their server. In EUnet's Web Hotel, the customer's Internet pages are located on EUnet's high-speed web servers.

EUnet's Streaming Media service opens up the opportunity to webcast events live, with full sound and vision, to anyone, wherever they may be. Alternatively, the images can be viewed on an Internet site. The service can be used simultaneously by 10 to 1,000 people.

### **DATA SECURITY SOLUTIONS**

VPN combines data communications tunnelling, encryption, authentication, user management and services to carry traffic securely over the Internet between two or more business locations. EUnet Finland supplies its Finnish customers with MPLS-based VPN services. In co-operation with its foreign partners, EUnet also supplies IPSec-based VPN solutions. Preventative monitoring and reporting as well as SLAs (Service Level Agreements) are automatically included in the service package.

EUnet Finland's firewall management service is suitable for customers who wish to develop and monitor data security between their own network and the external net. A firewall can be included in a customer's VPN solution, whereby all external traffic is guided through the firewall into the public Internet or partners' networks.

Today, data security services and the integration of data security into IP-based services are a vitally important element in the provision of end-to-end services. The expertise of an Internet service provider is nowadays assessed by how comprehensive a service it can provide cost-effectively to customers. In data security, EUnet focuses on supplying both basic and resilient solutions that effectively prevent and report on possible attempts to breach security. EUnet's telecommunications data security services attend comprehensively to network security, from the Internet to internal networks.

### **MARKETING**

EUnet Finland seeks to remain constantly close to its customers. Its primary marketing and information channels are EUnet Finland's own expert sales and technical support. EUnet Finland organises customer

**FTP (File Transfer Protocol)**

A protocol for the transfer of files on the Internet. A common use of FTP is to update a company's website residing on an operator's server.

**Hosting**

Offering equipment and maintenance services for customers so that they can run their own applications (such as a webserver, e-mail server or online store) on computers located in the operator's monitored data centre.

**IPSec (Internet Protocol Security)**

An encryption technique for Internet traffic packets that creates a secure data transfer connection between parties.

**ISDN (Integrated Services Digital Network)**

Digital landline telephone network that replaces analog telephone connections. In data communications, ISDN achieves speeds of 64 kbit/s or 128 kbit/s.

**MPLS (MultiProtocol Label Switching)**

A protocol used in the operator's own backbone network which upgrades the efficiency of processing customers' data traffic and enables it to be prioritised in accordance with the intended usage.

**SLA (Service Level Agreement)**

Specifies the minimum levels of the speed, operational reliability and other technical factors of the Internet subscription ordered by the customer.

**VPN (Virtual Private Network)**

A virtual network created inside the public Internet in which the traffic is encrypted. With a VPN, secure access can be opened into a company's internal network and the LANs of different business locations can be connected to form a single logical network.

seminars at least four times a year, during which customers are informed about newly launched solutions and applications that would be of interest to them. A major event in marketing in 2002 comprised the adoption of the EUnet name, which enjoys a solid reputation, and the launch of a new visual image.

**TECHNOLOGY**

The Technology unit is responsible for the technology and service provision of both EUnet and Saunalahti. The unit is responsible for the Internet and Teleoperator unit's entire technical infrastructure, comprising the following resilient solutions: an international backbone network, a Finnish backbone network with extensive geographical coverage, regional networks in the largest growth centres and service platforms. The Technology unit is also tasked with serving as a FICIX operator.

The most significant technological challenge in 2002 was the integration of the service platforms of KPNQwest Finland and Jippii as well as Finnish networks and data centres. This project was seen to completion as planned and on schedule. Integration has significantly upgraded the efficiency of the Internet and Teleoperator unit's operations. The unit's processes have been developed at the same time (management of fault conditions, performance of maintenance/servicing, faster service provision), along with performance measurement, operational quality and customer orientation.

**CUSTOMER SERVICE**

EUnet Finland's customer service is on call for corporate customers 24/7. The efficiency of customer service is aptly illustrated by the fact that on average service staff reply to 93-96% of incoming calls. The employees react rapidly to all error notifications and defects are repaired as fast as possible.

**OUTLOOK FOR 2003**

In the first half of 2003, EUnet Finland will launch numerous new services. MPLS-based VPN solutions are already in use and the coverage of these services will be increased. The first pilot customers have been highly satisfied with the VPN service concept.

In data security solutions, EUnet Finland's service concept will throw down the gauntlet to the traditional players in the Finnish market. The customer base will be expanded further. Present estimates indicate that the number of corporate customers will double in 2003.

In addition, EUnet is highly confident in its existing customers and seeks to provide value-added for them with new services and solutions. Brand bolstering will continue in 2003.



# INTERNET AND TELECOMMUN

Saunalahti is a full-service Internet and telecom operator offering services for both consumers and small companies. Saunalahti produces and markets its services cost-effectively – and seeks to achieve extreme efficiency in all its operations. This enables it to keep ahead of the competitors in the price-quality ratio of its services. The R&D cycle is fast. Saunalahti reacts rapidly to market changes and launches new product concepts that are in line with its strategy faster than its competitors. Its main distribution channel is the Internet, which is rounded out by Saunalahti's telephone service and a growing retailer network. In 2003, the key growth areas are GSM and ADSL connections.



**SAUNALAHTI**

## I C A T I O N S   O P E R A T O R

**SAUNALAHTI'S BUSINESS OPERATIONS**

Saunalahti's business operations are divided into four product lines: Internet services, GSM services, telecom services, and domain and hosting services. Its principal functions are Marketing, Helpdesk as well as Sales and Customer Service.

**INTERNET SERVICES**

Saunalahti is Finland's fourth-largest Internet operator among consumer customers. According to Taloustutkimus Oy's Internet Tracking survey, Saunalahti held a 13% share of the total market at the end of 2002. Its market share declined during the first half of 2002, but began to rise towards the end of the year.

Modem connections remain the most common method of going online, but sales of the ADSL and ADSL+ products launched by Saunalahti in spring and summer 2002 substantially increased the share of Saunalahti's Internet subscriptions accounted for by broadband, especially in the latter half of 2002. In addition to ADSL connections, Saunalahti offers broadband subscriptions to residential properties (SDSL and HomePNA) and to small companies (SDSL).

**GSM SERVICES**

On 31 December 2002, Saunalahti had about 28,000 GSM subscribers. Saunalahti's main target groups comprise youth and people who send text messages frequently. The number of Saunalahti GSM subscribers slumped significantly in 2002, but began to rise in December of 2002, as two new subscription types were launched: TiVKoR (text messages free of charge to five friends regardless of operator) and KpiKoR (call your friend for next to nothing regardless of operator).

In technical terms, Saunalahti acts as a GSM service operator in Sonera's mobile phone network. In practice, what this means for Saunalahti customers is that they have access to a network that matches that of Sonera's GSM customers in terms of international coverage and technical quality. This also allows Saunalahti to provide cheap calling rates from a Saunalahti connection to another Saunalahti or Sonera connection. Saunalahti's primary distribution channel in GSM subscription sales is the Internet. For this reason, the unit has been able to maintain distribution costs at a low level compared with other operators.

**TELECOM SERVICES**

Telecom services include international calls, domestic long-distance calls and termination compensation paid by other telcos. In the last quarter of 2002, Saunalahti carried about 6 million seconds of telephone traffic (domestic long-distance and international calls) per month. Saunalahti's domestic long-distance call prefixes are 10532 and 10577, and its international call prefixes are 991 and 9977.

### DOMAIN AND HOSTING SERVICES

Saunalahti is Finland's largest provider of domain and webhosting services. It has about 13,500 domains, of which about 8,000 use web hotel services. The technology employed in Hosting services was modernised in 2002 and all the services are now provided using the same platform.

### MAIN FUNCTIONS

#### MARKETING

The most significant marketing event in 2002 was the renaming of the unit to Saunalahti at the beginning of November, with a dynamic advertising campaign being launched at the end of 2002. Saunalahti seeks to stand out from the competition not only by offering cheap rates in line with its strategy, but also by being closer to people, taking strong stands and opposing restrictions. Openness and an active stance came to the fore in customer communications after the renaming of the unit. Saunalahti's own clientele comprises a significant communications channel, and Internet subscription offers, for example, will be targeted most forcefully to the company's own modem users. The Internet will remain the most significant distribution channel, but retailers will become more important.

#### SALES AND CUSTOMER SERVICE

Sales and Customer Service provides advice to customers regarding any questions they may have about Saunalahti's services and is responsible for invoicing, credit monitoring and the management of changes in the services provided to customers. In line with Saunalahti's strategy, order and delivery processes are automated as far as possible. In addition, Saunalahti's customers themselves can manage their services and keep track of how much they have used them better than the customers of its closest competitors.

The major development project implemented in the operations of Sales and Customer Service was the PMI project, completed at the end of November. It created a new product processing programme for Saunalahti's operational customer management systems. After the launch of the programme, the number of products could be reduced significantly, enhancing customer service resources.



### HELPDESK

The Helpdesk unit helps customers to use their Saunalahti services over the phone and e-mail as well as repairs defects found in the services.

### OUTLOOK FOR 2003

After the end of 2002, the number of Saunalahti GSM subscribers has continued to rise clearly. A surge in subscription sales took place at the very beginning of January 2003 as competitors' Christmastime offers on calling time ended. The number of GSM subscribers is expected to rise further, thanks to measures such as number portability, i.e. the option to retain one's own number even when changing one's operator, which will be implemented in summer 2003.

The increase in ADSL subscriptions picked up pace in January 2003 due to offers directed at existing Saunalahti subscribers. The coverage of ADSL subscriptions will be expanded in 2003 not only in the Greater Helsinki area, Uusimaa, Pirkanmaa, Jyväskylä, Kuopio and Seinäjoki, but also primarily in the largest towns of Finland.

In the case of telecommunications products, the greatest change in the first months of the year was the option, introduced in January 2003, of calling abroad using the 991 prefix without pre-registration from any Finnish landline or mobile phone connection.

In line with the strategy, internal projects to develop operations in 2003 will focus on honing the efficiency of processes and improving the guidance provided to customers and their latitude for managing the services on their own.



## M O B I L E

Jippii Group's Mobile Entertainment unit offers value-added services for mobile phones. Its focus area comprises mobile entertainment applications for consumers and customised end-to-end solutions for the needs of the music industry, equipment manufacturers and operators.



# ENTERTAINMENT

## 2002: A YEAR OF CHANGES

The business environment of the entire mobile entertainment industry underwent radical changes during the year now ended. Technological evolution brought back WAP as a distribution channel via GPRS connections. Java applications opened up earnings prospects for the gaming industry and it was expected that MMS technology would emerge as a new success story.

The range of available devices was greatly diversified by the introduction of devices with colour screens, multichannel ring tones and Java compatibility. Smaller equipment manufactures also made a concerted effort to crack the European market, with mobile entertainment services as the spearhead. When it came to the large Japanese manufacturers, NEC and Toshiba ventured into the European market with i-mode™ services. In addition, OEMs focused on partnering up with brand owners. The most significant product launch representing such a partnership was the Orange SPV mobile phone, which is equipped with Microsoft Windows. Towards the end of 2002, the first 2.5G portal services went live. Vodafone Live, one of these services, is a good example of the stronger role played by operators in the 2.5G mobile entertainment market.

However, the business environment changed at a slower rate than was expected by many of the companies providing value-added mobile services. Consequently, consolidation took place in the market.

## JIPPII IN 2002

In 2002, Jippii reacted dynamically to the changes in the business environment and shifted the focus of its operations from business growth to profitability. The modification of the strategy led to the pruning down of the cost structure, the elimination of overlapping functions and the reallocation of resources in international operations as well as the sharpening of the customer focus. In 2002, the payroll of Jippii's Mobile Entertainment unit was cut from 105 to about 60 people. These measures supported the new, centralised operating model. In 2002, portals were opened in the United States, Russia and Poland.

The Mobile Entertainment unit comprises the Jippii Club entertainment portal brand – which is targeted at consumers and is marketed through both the company's own portal and print media – as well as Corporate Services, which provides end-to-end solutions.

As from the beginning of January 2003, Jippii Group's Mobile Entertainment unit was incorporated as Jippii Mobile Entertainment Oy, a fully owned subsidiary of Jippii Group Corporation. The incorporation of the Mobile Entertainment unit's business operations was carried out as an intra-Group transaction.

## JIPPII CLUB CONSUMER SERVICES

At the end of 2002, Jippii Club, the company's entertainment portal for consumers, was active in 19 countries and was one of the leading providers of mobile entertainment services in Europe. The bulk of the Mobile Entertainment unit's turnover in 2002 was generated by Jippii Club's operations. The portal's popularity rose all year. In January, its services were used by 2.2 million individual visitors per month,



**CRM portal (Customer Relations Management portal)**

A portal service for the management and development of customer relations. Used with an Internet browser or a mobile phone.

**EMS (Enhanced Messaging System)**

A step up from basic text messaging (SMS). EMS can also transfer binary data, such as ring tones.

**GPRS (General Packet Radio Service)**

A further evolution of the GSM network that enables wireless data traffic at a speed of about 20-40 kbit/second, depending on the load.

**MMS (Multimedia Messaging Service)**

A messaging technique used in mobile phones that enables the transfer of not only text, but also images and animation.

**OEM (Original Equipment Manufacturer)**

A manufacturer of equipment that may be marketed by another manufacturer under its own name and brand.

**SPV mobile phone (Sound, Picture, Video)**

A mobile phone model launched by Orange in October 2002 which is based on Microsoft's Smartphone 2002 OS.

**WAP (Wireless Application Protocol)**

A protocol designed for wireless data connections that can be used to create interactive data and entertainment services for mobile phones.

and at the end of the year the services were already being used by over 3.3 million individual visitors per month. The 50 per cent growth in visitor numbers was due to continuous outlays on high-quality mobile content, the development of games world services and the enhancement of visitor experiences in association with the Jippii Club community.

The Jippii Club entertainment portal's most significant source of income is its extensive library of mobile content. In 2002, the largest share of Jippii Club content sales was made to Spain, Switzerland and the UK. Integral elements of the portal's content portfolio are its great range of chat rooms and a multiplayer Java gaming community where consumers can play and chat with each other.

Jippii's own portal enabled it to rapidly launch new products such as multichannel ring tones, colour background images and downloadable games. The content portfolio was also diversified during the report year to include content designed for numerous equipment manufacturers, although Nokia content remained the most popular.

## JIPPII'S CORPORATE SERVICES

At the beginning of 2002, Corporate Services' strategy was to maximise its visibility in the distribution channel by co-operating with different media. As profitability was prioritised in its operations, its focus was realigned to cover three key customer segments.

## EQUIPMENT MANUFACTURERS

In 2002, Jippii made an agreement concerning strategic co-operation with Siemens Mobile. The co-operation comprises end-to-end mobile entertainment solutions for the CRM portal [www.My-Siemens.com](http://www.My-Siemens.com) in 12 countries. From the portal, users can get mono and multichannel ring tones, operator logos and colour background images for Siemens mobiles. The My-Siemens service range has been launched in Finland, Sweden, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Russia, Portugal, Spain and the United States.

As part of its service portfolio, Jippii produces websites designed in line with the customer's visual image, along with mobile content, invoicing, distribution and copyright management. In addition, co-operation includes tactical marketing. For example, Siemens has offered multichannel ring tones free of charge to purchasers of C55 mobile phones with a tool produced by Jippii.

Jippii's co-operation with other mobile phone manufacturers focused on supporting phone launches through marketing co-operation and content production. For example, Jippii was the first player to provide downloadable ring tones for Samsung phones in Finland. They were used to support sales in the retail channels.

#### MUSIC INDUSTRY

The music industry is a natural partner for Jippii's Corporate Services, as to date the mobile entertainment industry's most successful product by far has been ring tones. The recording industry's solid position in the traditional distribution channel and strong artist brands have established a viable media environment for offering mobile entertainment services.

In 2002, Jippii made a Europe-wide agreement with BMG Music International, which is part of Bertelsman AG, to produce mobile content for BMG's own distribution channels. During the report year, co-operation expanded from the UK to Finland, Estonia, Latvia, Lithuania, Russia, Belgium and Holland.

In addition, Jippii created service packages for other record companies. Among them is Sony Music Finland, which markets ring tones on record covers and in TV ads.

#### OPERATORS

SMS-based transaction invoicing was the primary invoicing channel for Jippii's mobile entertainment services in 2002. In December 2002, Jippii's invoicing channel covered 55 GSM operators in Europe and the United States. Jippii also engaged in marketing co-operation with operators, carrying out joint text message campaigns and traditional media marketing.

In 2002, Jippii's Mobile Entertainment unit was on board as a service provider in KPN's and Base's i-mode™ services and Vodafone Portugal's Live! portal, among others.

#### STRATEGY

Jippii Mobile Entertainment Oy's objective is to be the leading producer of mobile entertainment services for consumers and selected corporate segments and to operate in a profitable manner.

The aim of Jippii's Consumer Services is to be the leading provider of mobile entertainment products in selected markets via the Jippii Club brand.

The aim of Jippii's Corporate Services is to be the leading provider of mobile entertainment service solutions for equipment manufacturers and the music industry.

In addition, Jippii is streaming resources into building up future potential by developing new and innovative services, utilising the features of new networks and devices.

#### OUTLOOK FOR 2003

2003 will be another year of changes for the mobile business. Multichannel ring tones will further increase the popularity of downloadable ring tones. Large colour screens will stimulate demand for background images, animations and operator logos as well as facilitate the development of new applications for mobile phones. Mobile Java supports sales of downloadable games.

In 2003, the aggregate market for mobile services is expected to grow compared with the previous year's level. In particular, GPRS and Java technology enable personalised user interfaces and dynamic content for wireless devices. The US market will evolve, while the popularity of WAP-based 2.5G services will increase in Europe.

Jippii's own strong technological organisation zeroes in on the development of GPRS, Java, WAP, EMS and MMS content and content for specific phone manufacturers (ring tones, logos, games) as well as the further development of Jippii's own portal platform. Its expertise provides a firm foundation for the development of new and innovative solutions.

During 2003, Jippii Club will continue to pursue its strategy of deepening customer relationships by improving the user-friendliness of its services and providing greater latitude for personalisation. Jippii Club's strategy for 2003 also includes brand bolstering through traditional media marketing and the expansion of the distribution channel to encompass the most significant European 2.5G portal projects. Jippii's Corporate Services will in turn engage in more extensive co-operation with selected customer segments.

# THE BOARD'S REPORT OF OPERATIONS 2002

## BUSINESS OPERATIONS

In 2002, Jippii Group focused on the development of core business functions in line with the strategy decided upon. The Group divested its non-core functions during the financial year. The Group's financial commitments and liabilities were reorganised with long-term agreements in the early months of 2002. The financial year now ended was a time of huge changes within the Group.

The Group's business operations were divided into two areas: Internet and teleoperator activities in Finland and international mobile entertainment.

In the case of Internet and teleoperator activities, the Group focused on improving profitability and the integration of the EUnet Finland business that was acquired in summer 2002. The unit's consumer brand, Saunalahti, was launched in autumn 2002. EUnet Finland concentrated on serving medium-sized and large corporate customers.

During the first part of the year, the Mobile Entertainment unit pursued a growth-oriented strategy, which was then discontinued in mid-2002. Since then, the unit has devoted its efforts to improving profitability. The primary marketing channel for Mobile Entertainment's services – ring tones, logos and games – is the unit's own portal brand, Jippii Club. As from the end of autumn 2002, the Jippii brand has been used only in Mobile Entertainment services.

## TURNOVER AND EARNINGS TRENDS IN 2002

In 2002, the Group had turnover of EUR 61.6 million (2001: EUR 87.3 million). Of this figure, 30.0% was generated abroad (40.1%).

The Group's depreciation during the financial year amounted to EUR 10.0 million (EUR 20.8 million in 2001). The Group's operating loss for 2002 was EUR -5.3 million (EUR -47.0 million in 2001), representing -8.5% of turnover (-53.9%).

The Group's financial expenses during the period were EUR 2.1 million (EUR 2.4 million), including EUR 0.4 million in non-recurring items related to the acquisition of EUnet Finland's business operations.

The Group's loss before extraordinary items was EUR -7.3 million (EUR -49.4 million in 2001), including EUR 3.8 million in losses posted by the Other Businesses unit as well as EUR 0.8 million in other non-recurring items recorded during the fourth quarter.

The net loss for the period was EUR -5.1 million (EUR -53.0 million).

Breakdown of turnover and earnings by business area, EUR million		
Business area	Turnover	Operating profit/loss
Internet and teleoperator	40.0	5.2
Mobile Entertainment	16.8	-1.9
Other businesses	4.8	-4.0
Administration		-4.5
Total	61.6	-5.3



## INVESTMENTS

The Group's gross investments in 2002 amounted to EUR 5.0 million (EUR 20.6 million in 2001). The investments were primarily earmarked for Internet and teleoperator activities. The acquisition price of EUnet Finland's business operations, acquired from KNPQwest Finland's bankruptcy estates, was EUR 2.5 million.

## FINANCING

Jippii Group Corporation's negotiations with its main creditors, begun at the end of 2001, were successful. The company's financial situation was stabilised and it withdrew its pending restructuring application in February 2002.

Jippii Group Corporation's extraordinary general meeting held on 8 February 2002 decided to issue three convertible bonds. Two of the bonds are convertible capital loans and one is a convertible bond. The conversion price for all the loans is EUR 0.51 per share. A total of EUR 12.0 million in capital loans with a maturity of five years were subscribed for. The convertible bond was subscribed for in full, to a total of EUR 3.1 million; the maturity is four years.

In March 2002, primarily bilateral agreements were made with the main creditors regarding a comprehensive payment schedule for the debts. According to these agreements, Jippii shall settle its debts in five years. EUR 7 million was paid in 2002 and the rest of the payments shall be made roughly as follows: EUR 5 million in 2003, EUR 4 million in 2004, EUR 3 million in 2005 and EUR 1 million in 2006. In addition, EUR 1.5 million of the convertible bond is due in 2005 and EUR 1.5 million in 2006.

The EUR 2 million convertible bond issued by the company on 21 November 2001 was converted into shares in January 2002. EUR 6.0 million of the convertible capital loan I issued by the company on 8 February 2002 was converted into shares in 2002 (EUR 0.9 million remains to be converted) and EUR 0.6 million of convertible capital loan II (EUR 4.5 million remains to be converted).

A total of EUR 8.5 million in convertible bonds and capital loans remains.

## JIPPII GROUP CORPORATION'S SHAREHOLDERS' EQUITY

Jippii Group Corporation's result for the period was EUR -7.5 million and its shareholders' equity at the end of the financial year amounted to EUR 1.2 million. Due to the loss posted for the period, the company's shareholders' equity in the balance sheet represents less than half of the share capital.

During the financial year, shareholders' equity was strengthened by a total of EUR 12.0 million in capital loans. The company's number of shares rose from 90,539,168 to 107,400,738 during the review period because the issued convertible bonds were subscribed for and converted into shares.

According to a value assessment of the company's Internet and teleoperator activities made by an external expert, the business involves items that fall outside of the scope of the balance sheet but which at the very least cover the cumulative losses in the parent company's balance sheet.

The financial result for the present financial year is expected to be in the black. This will improve the shareholders' equity situation.

The Board of Directors will propose to the Annual General Meeting that the share capital be lowered from its present figure of EUR 5.4 million to EUR 1.1 million, because the company's shareholders' equity amounts to less than half of the share capital.

Helsinki Exchanges placed Jippii Group Corporation's share on the watch list on 13 December 2001.

### **SOLVENCY**

At the end of the financial year, the Group's cash and bank receivables amounted to EUR 2.6 million. Considering the Group's business plan and existing commitments, its solvency is expected to improve during the present financial year, albeit remaining at a level that significantly hinders the growth of operations. The Group is actively assessing opportunities for financing the investment needs of ADSL products in Internet and teleoperator activities.

### **CHANGES IN THE CORPORATE STRUCTURE**

In January, the Group sold its 50.1% stake in Helsingin Samtele Oy to the operational management through an MBO. The sold operations were a non-core business function.

The reorganisation of the functions of the Group company in the Czech Republic was seen to completion in March 2002, as a result of which Jippii withdrew completely from the country.

Internet Access and webhosting businesses were sold in Spain, Belgium and the UK in June 2002. At the same time, Jippii's corporate structure in the UK was simplified, as a result of which Constellation Internet Ltd and Gigabell Ltd went into liquidation. Q-Net Oy, which specialises in LAN consultancy and design, was sold in Finland.

During the third quarter, the Other Businesses unit sold its telecommunications operations in the UK, Sweden and Denmark by means of MBO arrangements. The Other Businesses unit was wound up at the end of the third quarter. The responsibility for WLAN business operations was transferred to the Internet and Teleoperator business area.

Jippii Group Corporation acquired KPNQwest Finland's Internet business functions in Finland from its bankruptcy estates on 9 July 2002. The acquired business was used to establish the EUnet Finland unit, which engages in Internet and telecommunications activities, focusing on medium-sized and large corporate customers.

In December 2002, Jippii Group Corporation decided to incorporate its mobile entertainment operations. As from the beginning of January 2003, such operations have been attended to by Jippii Mobile Entertainment Oy, a wholly-owned subsidiary of Jippii Group Corporation. The incorporation of these business operations was carried out as an intra-Group transaction in December 2002. After the structural reorganisation, Jippii has foreign line companies in Belgium, Estonia, Spain, Holland, the UK, Poland, Switzerland, Russia and the United States. All Jippii staffers working for the Mobile Entertainment unit transferred into the employ of Jippii Mobile Entertainment Oy and the Group it forms.

## **EXTRAORDINARY GENERAL MEETINGS**

At the beginning of 2002, the company held two extraordinary general meetings of shareholders. The first one, in January, postponed the decision regarding the restructuring proceedings to a continued general meeting to be held in February. In addition, the general meeting decided that a planned directed issue would not be arranged and authorised the Board of Directors to decide on increasing the share capital.

The second extraordinary general meeting, held in February, decided to issue three convertible bonds. In addition, the general meeting approved a share option plan for the company's Board of Directors, top management, personnel and key people. Deviating from the shareholders' pre-emptive rights to subscribe for shares, the share options were granted to the members of the Board of Directors, CEO, members of the Management Board and other people working for Jippii Group Corporation and Group companies according to the Board of Directors' decision as well as other key people. The share options were granted in order to increase the level of personnel's and other key people's commitment and motivation. 6,000,000 share options were granted. They entitle their holders to subscribe for a maximum of 6,000,000 Jippii Group Corporation shares at a price of EUR 0.80 per share. The share options in the option programme had been subscribed for in their entirety by 31 March 2002. Jippii Group Corporation's subsidiary Helsingin NettiMedia Oy has 4,496,000 options, outsiders have 103,000 and the company's management holds the remaining 1,401,000 options.

## **PERSONNEL AND ORGANISATION**

As part of the general adaptation of operations to the changes in the market situation, the co-operation negotiations started up within Jippii in 2001 continued during the report year.

In 2002, the Group employed 257 people on average (2001: 548). At the end of the financial year, the number of employees was 205 (366).

Harri Johannesdahl served as the director of the Internet and Teleoperator unit until 24 June 2002, after which the unit has been led by Jukka Peltola. Kimmo Hellgrén was the director of the Mobile Entertainment unit until mid-January 2003. The director of the unit since 1 February 2003 has been Rami Ryhänen. Kari Kivelä served as the director of the Other Businesses unit until 31 August 2002. The operations of that unit were terminated during the third quarter. Hannu Hakkarainen was the Group's CFO until 31 August 2002, when the position was assumed by Jukka Virtamo.

## **BOARD OF DIRECTORS AND CEO**

Jippii Group Corporation's Annual General Meeting, held on 30 May 2002, re-elected Pekka Vennamo, Matti Hietala, Thomas Hoyer, Esa Kerttula and Rauno Puolimatka to Jippii Group's Board of Directors. Lasse Kurkilahti was a member of the Board of Directors until the Annual General Meeting. Kai Mäkelä was elected as a new Board member at the Annual General Meeting. Pekka Vennamo was elected as the chairman and Rauno Puolimatka as the vice chairman of the Board of Directors.

Matti Vikkula serves as the company's CEO.

## **AUDITORS**

PricewaterhouseCoopers Oy, Authorised Public Accountants, stayed on as the company's auditor, with Juha Tuomala, Authorised Public Accountant, as chief auditor.

## **EVENTS AFTER THE DATE OF CLOSING**

In February 2003, a settlement was reached in the claim concerning the guarantee related to the Group's former subsidiary's long-term lease agreement in London. The settlement is binding once confirmation is received from the counterparty. The liabilities laid out in the settlement are included in obligatory provisions in the balance sheet.

## **OUTLOOK FOR 2003**

It is anticipated that the Group's turnover will grow during the 2003 financial year and that its profitability will improve. The full-year result is expected to be positive. During the present financial year, the Group's annual operating result is forecast to amount to at least 8 per cent of turnover. During the first half of the year, the operating result is estimated to be lower than this estimate and during the latter half of the year higher than the estimate.

## **THE BOARD'S PROPOSAL TO THE ANNUAL GENERAL MEETING**

The Board of Directors proposes that no dividend be paid and that the net loss for the financial period be transferred to accumulated loss/retained earnings.

Helsinki, 6 March 2003

Jippii Group Corporation

Board of Directors



## PROFIT AND LOSS ACCOUNT

	Note	GROUP		PARENT COMPANY	
		1 Jan.–31 Dec. 2002	1 Jan.–31 Dec. 2001	1 Jan.–31 Dec. 2002	1 Jan.–31 Dec. 2001
EUR 1,000					
<b>Turnover</b>	1.1; 1.2	<b>61,622</b>	<b>87,250</b>	<b>41,612</b>	<b>47,530</b>
Share in associated company profit		23	-		
Other operating income	1.3	1,396	1,138	4,698	2,217
Operating expenses					
Materials and services	1.4	32,242	58,986	24,171	33,356
Personnel expenses	1.5	11,967	21,662	8,970	10,852
Depreciation and value adjustments	1.7	10,042	20,779	4,216	7,130
Other operating expenses		14,044	33,966	10,163	13,789
Operating expenses, total		68,295	135,393	47,520	65,127
<b>Operating loss</b>		<b>-5,254</b>	<b>-47,005</b>	<b>-1,210</b>	<b>-15,380</b>
Financial income and expenses	1.8	-2,081	-2,408	-8,014	-34,306
<b>Loss before extraordinary items and income taxes</b>		<b>-7,335</b>	<b>-49,413</b>	<b>-9,224</b>	<b>-49,686</b>
Extraordinary items	1.9	1,753	-407	1,676	718
<b>Loss before taxes</b>		<b>-5,582</b>	<b>-49,820</b>	<b>-7,548</b>	<b>-48,968</b>
Income taxes	1.10	463	-3,182	-	-
<b>Net loss</b>		<b>-5,119</b>	<b>-53,002</b>	<b>-7,548</b>	<b>-48,968</b>

# BALANCE SHEET

		GROUP		PARENT COMPANY	
EUR 1,000	Note	31 Dec. 2002	31 Dec. 2001	31 Dec. 2002	31 Dec. 2001
<b>ASSETS</b>					
<b>Fixed assets</b>					
Intangible assets	2.1	4,825	5,610	6,707	7,934
Goodwill on consolidation	2.1	3,626	6,824	-	-
Tangible assets	2.1	13,318	17,808	6,131	6,026
Investments	2.2				
Shares in Group companies				3,157	6,736
Shares in associated companies		24	9	1	-
Other investments		321	347	325	391
Investments, total		345	356	3,483	7,127
<b>Fixed assets, total</b>		<b>22,114</b>	<b>30,598</b>	<b>16,321</b>	<b>21,087</b>
<b>Current assets</b>					
Inventories	2.5	136	315	133	240
Long-term receivables	2.6	632	499	4,189	-
Current receivables	2.6; 2.8	8,389	16,119	7,985	17,185
Cash and bank receivables		2,560	2,635	1,188	1,134
<b>Current assets, total</b>		<b>11,717</b>	<b>19,568</b>	<b>13,495</b>	<b>18,559</b>
<b>ASSETS, TOTAL</b>		<b>33,831</b>	<b>50,166</b>	<b>29,816</b>	<b>39,646</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital	2.9	5,370	4,527	5,370	4,527
Share issue		-	2,000	-	2,000
Share premium fund		2,999	38,402	2,999	38,402
Accumulated loss/retained earnings		-8,656	1,251	-5,025	785
Net loss for the period		-5,119	-53,002	-7,548	-48,968
Capital loans		5,437	-	5,437	-
<b>Shareholders' equity, total</b>		<b>31</b>	<b>-6,822</b>	<b>1,233</b>	<b>-3,254</b>
<b>Obligatory provisions</b>	2.11	<b>847</b>	<b>521</b>	<b>847</b>	<b>-</b>
<b>Liabilities</b>					
Long-term liabilities	2.12; 2.13	13,082	5,441	11,858	1,172
Short-term liabilities	2.14; 2.15	19,871	50,521	15,878	41,728
Deferred tax liability	2.7	-	505	-	-
<b>Liabilities, total</b>		<b>32,953</b>	<b>56,467</b>	<b>27,736</b>	<b>42,900</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>		<b>33,831</b>	<b>50,166</b>	<b>29,816</b>	<b>39,646</b>

## CASH FLOW STATEMENT

	GROUP		PARENT COMPANY	
	31 Dec. 2002	31 Dec. 2001	31 Dec. 2002	31 Dec. 2001
EUR 1,000				
<b>Cash flow from operations</b>				
Operating loss	-5,254	-47,005	-1,210	-15,380
Depreciation according to plan and value adjustments	10,042	20,779	4,216	7,130
Net capital gains and losses from sales of fixed assets, shares and business functions	-30	-	17	-
Adjustments to operating profit/loss	-318	502	926	-
Change in net working capital	-2,068	14,143	-2,370	-699
Dividend income	-	-	48	-
Interest received	121	212	120	238
Interest paid	-1,670	-1,641	-1,565	-1,153
Other financial items	-826	-979	-672	-735
Taxes	-41	-91	-	-
Extraordinary items	-	-407	-	718
<b>Cash flow from operations</b>	<b>-44</b>	<b>-14,487</b>	<b>-490</b>	<b>-9,881</b>
<b>Investments</b>				
Investments in shares	-	-17	-25	-5,894
Sales of subsidiaries, less the cash assets of sold subsidiaries	-101	-	-	-
Capital gains from the sales of shares	-	84	137	86
Investments in fixed assets	-4,985	-20,637	-4,755	-6,055
Capital gains from sales of fixed assets	634	10,495	634	1,306
<b>Cash flow from investments</b>	<b>-4,452</b>	<b>-10,075</b>	<b>-4,009</b>	<b>-10,557</b>
<b>Cash flow before financing</b>	<b>-4,496</b>	<b>-24,562</b>	<b>-4,499</b>	<b>-20,438</b>
<b>Financing</b>				
Increase in long-term liabilities	-	2,822	-	557
Decrease in long-term liabilities	-1,916	-769	-1,595	-769
Increase/decrease in long-term receivables	316	-449	107	82
Increase in short-term financing	921	5,065	941	2,855
Capital loan	5,100	-	5,100	-
Share issue	-	15,435	-	15,435
<b>Cash flow from financing</b>	<b>4,421</b>	<b>22,104</b>	<b>4,553</b>	<b>18,160</b>
Change in cash assets	-75	-2,458	54	-2,278
Cash assets at beginning of period	2,635	5,093	1,134	3,412
<b>Cash assets at end of period</b>	<b>2,560</b>	<b>2,635</b>	<b>1,188</b>	<b>1,134</b>

# NOTES TO THE FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES EMPLOYED IN THE CONSOLIDATED ACCOUNTS

### ACCOUNTING PRINCIPLES

Jippii Group Corporation's consolidated accounts have been drawn up in accordance with the Finnish Accounting Act and Finnish GAAP.

### PRINCIPLES OF CONSOLIDATION

The consolidated accounts include Jippii Group Corporation and subsidiaries that it owns either directly or indirectly (over 50% of the votes). Subsidiaries acquired during the report year are consolidated as from the time of acquisition. Companies sold during the report year are consolidated until the time of sale. All intra-Group transactions are eliminated during consolidation. Minority interest is separated from earnings and is presented as a separate item in the profit and loss account. Minority interest is also presented as a separate item in the balance sheet. Inter-company share ownership is eliminated using the acquisition cost method. In the calculation of goodwill, the Group's share of the shareholders' equity in the acquired companies is deducted from the acquisition cost. Goodwill is amortised according to plan on a straight-line basis over its economic life. The amortisation period is five years provided that the economic life does not exceed five years, but shall not exceed 10 years.

Investments in associated companies are included in the consolidated accounts using the equity method. The consolidated profit and loss account includes the Group's share of the results of the associated companies. In the consolidated balance sheet, the Group's share of the net assets generated by the associated company after it has been acquired are added to the acquisition cost of the associated companies and the Group's retained earnings in the consolidated balance sheet.

Investments in other companies (voting rights of less than 20%) are booked at the acquisition cost. The acquisition cost-based book value of these shares is written down to correspond to their market value, provided that the write-down of their value is not temporary.

### TRANSACTIONS DENOMINATED IN A FOREIGN CURRENCY

Transactions denominated in a foreign currency are recorded using the exchange rate in force on the date of the transaction. Receivables and liabilities denominated in a foreign currency which remained unsettled at the close of the financial period are valued using the exchange rates in force at the end of the year.

### FOREIGN GROUP COMPANIES

In the consolidated accounts, the profit and loss accounts of foreign Group companies are converted to euros using the average rates for the year, which are calculated on the basis of the exchange rates at the end of the period. All items in the balance sheet are translated into euros using the exchange rates in force at the end of the year. Translation differences due to the use of the acquisition cost method and the translation difference arising from the translation of the profit and loss account and balance sheet using different exchange rates are treated as an item adjusting the consolidated shareholders' equity.

### RECOGNITION OF INCOME

Indirect taxes and discounts granted have been deducted from sales revenue when calculating turnover. Sales revenue is recorded as income in accordance with its nature either on delivery or over time.

### RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development expenditures are recorded as expenses in the

financial period during which they were incurred, with the exception of certain product development expenditures that are capitalised when given criteria have been fulfilled. Capitalised development expenditures are depreciated over their economic life. The depreciation period is 3-5 years.

### PENSIONS AND COVERING PENSION LIABILITIES

The pension security of the personnel of the Group's Finnish companies has been attended to by outside pension insurance companies. Foreign subsidiaries have attended to the pension arrangements of their personnel in accordance with local regulations and practices.

### FIXED ASSETS AND DEPRECIATION

The values of fixed assets are based on the original purchase price. Depreciation on fixed assets subject to wear and tear is calculated on a straight-line basis over the estimated economic lifetime of the assets. The depreciation periods are as follows:

Establishment expenses	4 years
Intangible rights	3-10 years
Other capitalised expenditure	3-10 years
Machinery and equipment	3-10 years

### LEASING

Operating lease payments are treated as rental costs. Financial leasing agreements are treated as fixed assets in the consolidated accounts and as rental costs in the separate accounts.

### INVENTORIES

In accordance with the FIFO principle, inventories are presented in the balance sheet at the acquisition and manufacturing cost or the market cost, whichever is lower. In addition to the acquisition cost, the indirect costs of production are not included in the value of inventories.

### INCOME TAXES

The consolidated accounts include taxes calculated from the Group companies' financial results for the period in line with local tax legislation and in accordance with the tax rate in force on the date of closing. The deferred tax asset, based on the confirmed losses for previous years, has not been recorded in accordance with conservative accounting practices. Likewise, the deferred tax liability incurred from the handling of financial leasing agreements has not been presented in the consolidated balance sheet. Deferred tax assets and liabilities have not been recorded in the separate profit and loss accounts.

### SOCIAL SECURITY CONTRIBUTION COMMITMENTS ARISING FROM THE GRANTING OF SHARE OPTIONS

The imputed social security costs that might result from the share options granted to personnel and members of the Board of Directors are not recorded in the annual accounts, but are reported as commitments in the notes to the accounts.

### DERIVATIVE CONTRACTS

The Group has no derivative contracts.

### COMPARABILITY

The information on Jippii Group and Jippii Group Corporation for 2001 and 2002 cannot be compared due to corporate realignments carried out in 2002.



	GROUP		PARENT COMPANY	
EUR 1,000	2002	2001	2002	2001
<b>1.1 Turnover by business unit</b>				
Internet and Teleoperator	40,034	48,585	39,173	46,183
Mobile Entertainment	16,766	14,504	2,439	1,347
Non-core	4,822	24,161	-	-
<b>Total</b>	<b>61,622</b>	<b>87,250</b>	<b>41,612</b>	<b>47,530</b>
<b>1.2 Turnover by country</b>				
Finland	43,132	52,276	41,612	47,530
EU	11,383	17,668	-	-
Other	7,107	17,306	-	-
<b>Total</b>	<b>61,622</b>	<b>87,250</b>	<b>41,612</b>	<b>47,530</b>
<b>1.3 Other operating income</b>				
Invoicing of Group companies	-	-	4,390	2,020
Capital gains	827	79	80	43
Other income	569	1,059	228	154
<b>Total</b>	<b>1,396</b>	<b>1,138</b>	<b>4,698</b>	<b>2,217</b>
<b>1.4 Materials and services</b>				
Materials and supplies				
Purchases during review period	29,436	53,573	19,178	26,287
Change in inventories	107	82	107	-105
	29,543	53,655	19,285	26,182
External services	2,699	5,331	4,886	7,174
<b>Total</b>	<b>32,242</b>	<b>58,986</b>	<b>24,171</b>	<b>33,356</b>
<b>1.5 Personnel expenses</b>				
Salaries, wages and remuneration	9,830	17,577	7,233	8,663
Pension expenses	1,286	1,961	1,144	1,303
Other social expenses	851	2,124	593	886
<b>Total</b>	<b>11,967</b>	<b>21,662</b>	<b>8,970</b>	<b>10,852</b>
Salaries, remuneration and benefits paid to the Group's presidents and the members of the Board of Directors.	598	863	167	832
<b>1.6 Average number of personnel</b>				
Average number of personnel	257	548	179	266
<b>1.7 Depreciation and value adjustments</b>				
Establishing and organising expenses	-	2	-	2
Research and development expenses	40	122	36	120
Intangible rights	569	489	462	221
Goodwill	130	28	617	397
Other capitalised expenditure	1,085	1,927	1,004	1,138
Goodwill on consolidation	1,392	1,952	-	-
Machinery and equipment	4,762	4,344	1,895	1,372
Other tangible assets	32	86	-	-
<b>Depreciation on intangible and tangible assets, total</b>	<b>8,010</b>	<b>8,950</b>	<b>4,014</b>	<b>3,250</b>
Establishing and organising expenses				
Research and development expenses	9	374	-	374
Intangible rights	15	39	-	-
Goodwill	1,113	-	-	-
Other capitalised expenditure	230	6,674	202	1,467
Advance payments, intangible fixed assets	-	1,648	-	1,253
Goodwill on consolidation	-	2,272	-	-
Machinery and equipment	665	37	-	2
Advance payments, tangible fixed assets	-	785	-	784
<b>Value adjustments of fixed assets and long-term investments, total</b>	<b>2,032</b>	<b>11,829</b>	<b>202</b>	<b>3,880</b>
<b>Total</b>	<b>10,042</b>	<b>20,779</b>	<b>4,216</b>	<b>7,130</b>
<b>1.8 Financial income and expenses</b>				
Dividend income				
From others	-	-	48	-
Dividend income, total	-	-	48	-
Interest and other financial income				
From Group companies	-	-	7	161
From others	182	212	120	77
Interest and other financial income, total	182	212	127	238

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
EUR 1,000				
Value adjustments of shares in subsidiaries	-	-	-2,120	-4,884
Value adjustments of Group loan receivables	-	-	-4,269	-27,772
Value adjustments, total	-	-	-6,389	-32,656
Interest expenses				
To Group companies	-	-	-	-24
To others	-1,336	-1,641	-967	-1,129
Interest expenses, total	-1,336	-1,641	-967	-1,153
Other financial expenses				
From others	-927	-979	-833	-735
Other financial expenses, total	-927	-979	-833	-735
<b>Financial income and expenses, total</b>	<b>-2,081</b>	<b>-2,408</b>	<b>-8,014</b>	<b>-34,306</b>
"Other financial income and expenses" includes gains/losses on foreign exchange (net), total	-93	-104	-94	-48
<b>1.9 Extraordinary items</b>				
Extraordinary income	1,753	-	1,676	1,125
Extraordinary expenses	-	-407	-	-407
<b>Total</b>	<b>1,753</b>	<b>-407</b>	<b>1,676</b>	<b>718</b>
GROUP				
Extraordinary income for 2002 comprised monies received from a composition with creditors.				
PARENT COMPANY				
The parent company's extraordinary income for 2002 consists of EUR 164 thousand in Group contributions received and EUR 1,512 thousand received from a composition with creditors.				
Extraordinary income in 2001 consisted of Group contributions. Extraordinary expenses comprised the disciplinary fine imposed by Helsinki Exchanges as well as indemnities.				
<b>1.10 Income taxes</b>				
Income taxes on extraordinary items	-	-	-	-
Income taxes on ordinary income	-41	-91	-	-
Change in deferred tax asset	-	-2,831	-	-
Change in deferred tax liability	504	-260	-	-
<b>Total</b>	<b>463</b>	<b>-3,182</b>	<b>-</b>	<b>-</b>

EUR 1,000	Acquisition cost, 1 Jan. 2002	Increase	Decrease	Transfers between items and other changes	Acquisition cost, 31 Dec. 2002	Accumulated depreciation and value adjustments, 31 Dec. 2002	Book value, 31 Dec. 2002
<b>2.1 Intangible and tangible assets</b>							
<b>PARENT COMPANY</b>							
Intangible assets							
Establishing and organising expenses	5	-	-	-	5	-5	-
Research and development expenses	155	-	-148	-	7	-7	-
Intangible rights	2,164	277	-451	-69	1,921	-575	1,346
Goodwill	3,359	1,000	-	-	4,359	-1,281	3,078
Other capitalised expenditure	4,107	1,134	-97	-3	5,141	-2,940	2,201
Advance payments	1,055	69	-645	-397	82	-	82
<b>Intangible assets, total</b>	<b>10,845</b>	<b>2,480</b>	<b>-1,341</b>	<b>-469</b>	<b>11,515</b>	<b>-4,808</b>	<b>6,707</b>
Tangible assets							
Machinery and equipment	8,971	2,275	-470	100	10,876	-4,745	6,131
Other tangible assets	0	-	-	-	-	-	-
Advance payments and uncompleted purchases	102	-	-	-102	-	-	-
<b>Tangible assets, total</b>	<b>9,073</b>	<b>2,275</b>	<b>-470</b>	<b>-2</b>	<b>10,876</b>	<b>-4,745</b>	<b>6,131</b>
<b>GROUP</b>							
Intangible assets							
Establishing and organising expenses	7	-	-	-	7	-7	-
Research and development expenses	617	-	-147	2	472	-472	-
Intangible rights	2,812	277	-187	16	2,918	-1,175	1,743
Goodwill	137	1,000	-	-3	1,134	-222	912
Other capitalised expenditure	6,658	1,146	-286	6	7,524	-5,466	2,058
Advance payments	1,085	69	-1,057	15	112	-	112
<b>Intangible assets, total</b>	<b>11,316</b>	<b>2,492</b>	<b>-1,677</b>	<b>36</b>	<b>12,167</b>	<b>-7,342</b>	<b>4,825</b>

EUR 1,000	Acquisition cost, 1 Jan. 2002	Increase	Decrease	Transfers between items and other changes	Acquisition cost, 31 Dec. 2002	Accumulated depreciation and value adjustments, 31 Dec. 2002	Book value, 31 Dec. 2002
Goodwill on consolidation	12,382	-	-3,456	-	8,926	-5,300	3,626
Tangible assets							
Machinery and equipment	25,456	2,422	-4,293	1,536	25,121	-11,869	13,252
Other tangible assets	361	1	-295	18	85	-41	44
Advance payments and uncompleted purchases	124	70	-30	-142	22	-	22
<b>Tangible assets, total</b>	<b>25,941</b>	<b>2,493</b>	<b>-4,618</b>	<b>1,412</b>	<b>25,228</b>	<b>-11,910</b>	<b>13,318</b>
<b>2.2 Investments</b>							
<b>PARENT COMPANY</b>							
Shares, Group companies	6,736	4,509	-5,968	-	5,277	-2,120	3,157
Shares, associated companies	-	1	-	-	1	-	1
Shares, other	346	-	-21	-	325	-	325
Receivables, Group companies	45	2,089	-904	-	1,230	-1,230	-
<b>Total</b>	<b>7,127</b>	<b>6,599</b>	<b>-6,893</b>	<b>-</b>	<b>6,833</b>	<b>-3,350</b>	<b>3,483</b>
<b>GROUP</b>							
Shares, associated companies	9	23	-	-	32	-6	24
Shares, other	347	21	-44	-3	321	-	321
Other investments	-	-	-	-	-	-	-
<b>Total</b>	<b>356</b>	<b>44</b>	<b>-44</b>	<b>-3</b>	<b>353</b>	<b>-6</b>	<b>345</b>

	<b>GROUP</b>	<b>PARENT COMPANY</b>	
<b>2.3 Group companies</b>	Group's holding, %	Parent company's holding, %	Domicile
Alcom Internetix Ltd (UK)	100.0%	0.0%	London
AS Saunalahti (Latvia)	100.0%	0.0%	Riga
Cabinet GmbH (Germany)	100.0%	0.0%	Frankfurt
Cabinet Internetpalvelut Oy	100.0%	0.0%	Helsinki a)
Cabinet Oy - Cabin AB	100.0%	100.0%	Helsinki a)
Helsingin Nettii Media Oy	100.0%	100.0%	Helsinki b)
Jippii Limited (Ireland)	100.0%	100.0%	Dublin a)
Jippii a.s. (Czech Republic)	68.0%	68.0%	Prague a)
Jippii Chile Limitada (Chile)	99.0%	0.0%	Santiago
Jippii Czech Republic S.r.o. (Czech Republic)	100.0%	100.0%	Prague a)
Jippii Denmark ApS (Denmark)	100.0%	0.0%	Copenhagen
Jippii Estonia AS (Estonia)	100.0%	0.0%	Tallinn
Jippii France SAS (France)	100.0%	100.0%	Paris a)
Jippii Holding BV (Holland)	100.0%	0.0%	Almere
Jippii Hong Kong Ltd (Hong Kong)	100.0%	100.0%	Hong Kong a)
Jippii Hungary Internet Services Ltd (Hungary)	100.0%	100.0%	Budapest a)
Jippii Internet Services Ges.m.b.H (Austria)	100.0%	100.0%	Vienna
Jippii Internet Services SA (Belgium)	100.0%	0.0%	Brussels
Jippii Internet Services UAB (Lithuania)	100.0%	0.0%	Vilna a)
Jippii Internet Services Unipessoal LDA (Portugal)	100.0%	0.0%	Lisbon a)
Jippii Internetbjonusta ehf (Iceland)	100.0%	0.0%	Reykjavik a)
Jippii Italy S.r.l. (Italy)	100.0%	0.0%	Milan a)
Jippii Mobile Entertainment Oy	100.0%	100.0%	Helsinki
Jippii Netherlands BV (Holland)	100.0%	0.0%	Amsterdam
Jippii Norway AS (Norway)	100.0%	0.0%	Oslo
Jippii Poland Sp. Z O.O. (Poland)	100.0%	0.0%	Warsaw
Jippii Schweiz AG (Switzerland)	100.0%	0.0%	St. Gallen
Jippii Spain S.L. (Spain)	100.0%	0.1%	Madrid
Jippii Sweden AB (Sweden)	100.0%	0.0%	Stockholm
Jippii UK Plc (UK)	100.0%	0.0%	London
Jippii USA Inc. (USA)	100.0%	0.0%	Wilmington, DLW
NetNet Ltd (UK)	100.0%	100.0%	London
NIC Tietoverkot Oy	100.0%	100.0%	Seinäjoki a)
Saunalahti ZA0 (Russia)	100.0%	0.0%	St. Petersburg
Supertel Oy	99.2%	99.2%	Helsinki
THK-Net Sweden AB (Sweden)	100.0%	0.0%	Stockholm a)
Wireless Network Services WNS Oy	100.0%	100.0%	Helsinki a)

a) Companies to be wound up/merged in 2003  
b) The company has not been included in the consolidated financial statements, as it does not have a significant effect on the Group's shareholders' equities.

	GROUP	PARENT COMPANY	
<b>Group companies wound up/sold in the 2002 financial year:</b>			
Constellation Internet Limited (UK)		Superline Telecommunications Ltd (UK)	
Gigabell Ltd (UK)		Supertel Danmark ApS	
Helsingin Samtele Oy		Supertel Eesti Oy	
Jippii Internet Services s.r.o (Slovakia)		Supertel Sweden AB	
Kuituverkko Kahdeksan Oy		THK-Net SA (Belgium)	
Netinlevy Oy		Timeline Oy	
Q-Net Oy		Webleicester Ltd (UK)	
Suomalainen Pelikauppa Peliman Oy			
<b>2.4 Associated companies</b>	Group's holding, %	Parent company's holding, %	Domicile
Active Corporation Ltd (UK)	35.0%	35.0%	Bedfordshire

	GROUP		PARENT COMPANY	
EUR 1,000	2002	2001	2002	2001
<b>2.5 Inventories</b>				
Materials and goods	136	315	133	240
Work in process	-	-	-	-
<b>Total</b>	<b>136</b>	<b>315</b>	<b>133</b>	<b>240</b>
<b>2.6 Receivables</b>				
<b>LONG-TERM RECEIVABLES</b>				
Receivables from Group companies				
Accounts receivable			-	-
Loan receivables			3,584	-
Other receivables			-	-
Prepayments and accrued income			-	-
<b>Total</b>			<b>3,584</b>	<b>-</b>
Receivables from others				
Other receivables	491	485	470	-
Prepayments and accrued income	56	14	50	-
<b>Total</b>	<b>547</b>	<b>499</b>	<b>520</b>	<b>-</b>
Receivables from associated companies				
Accounts receivable	-	-	-	-
Loan receivables	85	-	85	-
Other receivables	-	-	-	-
Prepayments and accrued income	-	-	-	-
<b>Total</b>	<b>85</b>	<b>-</b>	<b>85</b>	<b>-</b>
<b>LONG-TERM RECEIVABLES, TOTAL</b>	<b>632</b>	<b>499</b>	<b>4,189</b>	<b>-</b>
<b>CURRENT RECEIVABLES</b>				
Receivables from Group companies				
Accounts receivable			212	1,394
Loan receivables			856	3,846
Prepayments and accrued income			108	541
<b>Total</b>			<b>1,176</b>	<b>5,781</b>
Receivables from associated companies				
Accounts receivable	-	-	-	-
Loan receivables	91	-	91	-
Other receivables	-	-	-	-
Prepayments and accrued income	-	-	-	-
<b>Total</b>	<b>91</b>	<b>-</b>	<b>91</b>	<b>-</b>
Receivables from others				
Accounts receivable	6,682	12,483	5,323	8,763
Loan receivables	11	435	6	387
Other receivables	254	1,344	158	737
Prepayments and accrued income	1,351	1,857	1,231	1,517
<b>Total</b>	<b>8,298</b>	<b>16,119</b>	<b>6,718</b>	<b>11,404</b>
<b>CURRENT RECEIVABLES, TOTAL</b>	<b>8,389</b>	<b>16,119</b>	<b>7,985</b>	<b>17,185</b>



	GROUP		PARENT COMPANY	
EUR 1,000	2002	2001	2002	2001
<b>2.7 Deferred tax assets and liabilities</b>				
Deferred tax asset on confirmed losses and losses for the period	-	-		
Deferred tax liability on consolidation measures	-	-505		
<b>Net amount booked in balance sheet</b>	<b>-</b>	<b>-505</b>		
At the end of 2002, the Group had EUR 20.8 million in deferred tax assets on confirmed losses and losses for the period and EUR 0.8 million in deferred tax liabilities on consolidation measures. Deferred tax assets and liabilities have not been recorded, because it is not sufficiently certain that the losses can be used.				
<b>2.8 Prepayments and accrued income</b>				
Prepaid expenses	90	209	70	168
Leasing rents and rent receivables	115	605	106	394
Other	1,146	1,043	1,055	955
<b>Total</b>	<b>1,351</b>	<b>1,857</b>	<b>1,231</b>	<b>1,517</b>
<b>2.9 Shareholders' equity</b>				
Share capital, 1 Jan.	4,527	3,363	4,527	3,363
From share issue	196	-	196	-
Rights issue	-	1,164	-	1,164
From convertible bonds	647	-	647	-
Share capital, 31 Dec.	5,370	4,527	5,370	4,527
Share issue, 1 Jan.	2,000	-	2,000	-
Increase/decrease	-2,000	2,000	-2,000	2,000
Share issue, 31 Dec.	-	2,000	-	2,000
Share premium fund, 1 Jan.	38,402	26,130	38,402	26,130
New issue premium	-	12,272	-	12,272
From share issue	1,804	-	1,804	-
From convertible bonds	5,952	-	5,952	-
To cover accumulated losses	-43,159	-	-43,159	-
Share premium fund, 31 Dec.	2,999	38,402	2,999	38,402
Translation difference, 1 Jan.	-29	-10	-	-
Change	-80	-19	-	-
Translation difference, 31 Dec.	-109	-29	-	-
Accumulated loss/retained earnings, 1 Jan.	-51,722	1,280	-48,184	785
Covered from the share premium fund	43,159	-	43,159	-
Other changes	16	-	-	-
Accumulated loss/retained earnings, 31 Dec.	-8,547	1,280	-5,025	785
Net profit/loss	-5,119	-53,002	-7,548	-48,968
Capital loans, 1 Jan.	-	-	-	-
Increase	12,036	-	12,036	-
Conversion of capital loans to equity	-6,599	-	-6,599	-
Capital loans, 31 Dec.	5,437	-	5,437	-
<b>Shareholders' equity, total</b>	<b>31</b>	<b>-6,822</b>	<b>1,233</b>	<b>-3,254</b>
In the 2002 financial year, the parent company received EUR 5.1 million in interest-bearing convertible capital loans. At the end of the 2002 financial year, EUR 4.5 million of the interest-bearing convertible capital loans remained. The interest for 2002 which has not been recorded as expenses amounts to EUR 0.3 million.				
Main terms of the loan:				
1) the capital may be paid only if the non-distributable equity and other non-distributable items are fully covered in the balance sheet adopted by Jippii Group Corporation and its Group for the preceding financial year.				
2) the interest may be paid only if the paid amount can be used for the distribution of profits in line with the balance sheet adopted by Jippii Group Corporation and its Group for the preceding financial year.				
The capital loan can be converted to Jippii Group Corporation shares. The conversion period ends on 22 February 2007. The interest on the loan is seven (7) per cent, calculated as from 22 February 2002, the date on which the loan was issued. The interest on the loan has not been recorded in the profit and loss account.				
<b>2.10 Distributable funds, 31 Dec.</b>				
Distributable funds	-	-	-	-
<b>2.11 Obligatory provisions</b>				
Other obligatory provisions	847	521	847	-
Obligatory provisions are related to the costs of restructuring business functions. Provisions are recorded in other operating expenses.				
<b>2.12 Long-term liabilities</b>				
Convertible bonds	3,060	-	3,060	-
Loans from financial institutions	5,724	1,907	5,268	1,172
Other long-term liabilities	4,298	3,534	3,522	-
Long-term liabilities to Group companies	-	-	8	-
<b>Total</b>	<b>13,082</b>	<b>5,441</b>	<b>11,858</b>	<b>1,172</b>
Of which interest-bearing liabilities	11,507	5,441	10,277	1,172

	GROUP		PARENT COMPANY	
EUR 1,000	2002	2001	2002	2001
<b>2.13 Long-term liabilities repayable after five years</b>				
Loans from financial institutions	-	-	-	-
Other long-term liabilities	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.14 Short-term liabilities</b>				
<b>SHORT-TERM LIABILITIES</b>				
Loans from financial institutions	2,782	10,465	2,656	10,223
Advances received	2,642	2,498	2,336	1,964
Accounts payable	5,291	17,001	4,440	12,091
Other liabilities	6,451	10,598	3,769	6,273
Accrued liabilities	2,705	9,959	1,995	8,006
<b>Total</b>	<b>19,871</b>	<b>50,521</b>	<b>15,196</b>	<b>38,557</b>
Liabilities to Group companies				
Advances received	-	-	-	-
Accounts payable	-	-	196	1,785
Accrued liabilities	-	-	-	25
Other short-term liabilities	-	-	486	1,361
<b>Total</b>	<b>-</b>	<b>-</b>	<b>682</b>	<b>3,171</b>
<b>SHORT-TERM LIABILITIES, TOTAL</b>	<b>19,871</b>	<b>50,521</b>	<b>15,878</b>	<b>41,728</b>
Of which interest-bearing liabilities	7,050	16,186	4,438	13,165
<b>2.15 Accrued liabilities</b>				
Periodisation of salaries and social expenses	1,280	1,257	1,006	1,113
Interest expenses	268	980	265	929
KPNQwest	-	2,675	-	2,675
Contingent liabilities	-	2,395	-	2,395
Other	1,157	2,652	724	894
<b>Total</b>	<b>2,705</b>	<b>9,959</b>	<b>1,995</b>	<b>8,006</b>
<b>3.1 Liabilities with corporate mortgages as collateral</b>				
Loans from financial institutions	10,255	11,823	10,003	10,858
Mortgages given	12,668	12,952	12,164	12,364
Other liabilities	-	377	-	377
Mortgages given	-	-	-	-
<b>Mortgages given as collateral, total</b>	<b>12,668</b>	<b>12,952</b>	<b>12,164</b>	<b>12,364</b>
As collateral for other liabilities in 2001, the company has given a secondary pledge on the corporate mortgages given as collateral for loans from financial institutions.				
<b>Liabilities with deposits as collateral</b>				
Loans from financial institutions	-	535	-	535
Book value of pledged deposits	-	57	-	57
<b>Pledges as collateral, total</b>	<b>-</b>	<b>57</b>	<b>-</b>	<b>57</b>
<b>3.2 Other collateral</b>				
Pledges	1,158	727	1,015	672
<b>3.3 Contingent liabilities on behalf of Group companies</b>				
Guarantees	-	-	330	525
<b>3.4 Leasing commitments</b>				
Payable during the next financial year	3,106	4,082	2,892	3,254
Payable later	1,278	4,139	1,259	3,686
<b>Total</b>	<b>4,383</b>	<b>8,221</b>	<b>4,150</b>	<b>6,940</b>

The company's leasing agreements do not include commitments to buy the equipment.

EUR 6.3 million in assets possessed by the company through financial leasing agreements are entered in "machinery and equipment" in the consolidated balance sheet. EUR 0.8 million in contractual long-term liabilities and EUR 2.4 million in contractual short-term liabilities are booked in the consolidated balance sheet.

### 3.5 Other commitments

There are no imputed social security liabilities related to the company's share options, as the subscription price of the options on the closing date, 31 December 2002, was higher than the share price.

In the 2002 financial year, the parent company received EUR 5.1 million in interest-bearing convertible capital loans. At the end of the 2002 financial year, EUR 4.5 million of the interest-bearing convertible capital loans remained. The interest for 2002 which has not been recorded as expenses amounts to EUR 0.3 million.

### 3.6 Legal disputes

The company has a pending claim against Elisa Communications Corporation concerning the latter company's abuse of its dominant market position in the pricing of phone calls.

A settlement has been reached in a claim concerning a long-term rental agreement in London. The settlement has not been confirmed yet and the related liabilities are included in obligatory provisions.

In 2001, the Foundation for Student Housing in the Helsinki Region (HOAS) unilaterally dissolved a co-operation agreement concerning a large-scale networking project. In March 2002, Jippii Group Corporation in turn disconnected the telecommunications connections related to said project due to unpaid bills.

# THE GROUP'S FINANCIAL INDICATORS

(EUR 1,000, financial period ended on 31 Dec.)	2002	2001	2000	1999	1998
<b>The Group's financial indicators</b>					
Turnover	61,622	87,250	34,656	13,014	7,434
Growth in turnover, %	-29.4%	151.8%	166.3%	75.1%	1,901.9%
Operating profit/loss	-5,254	-47,005	708	-2,039	-2,537
% of turnover	-8.5%	-53.9%	2.0 %	-15.7%	-34.1%
Profit/loss before extraordinary items, provisions and taxes	-7,335	-49,413	467	-2,376	-2,749
% of turnover	-11.9%	-56.6%	1.3%	-18.3%	-37.0%
Profit/loss before appropriations and taxes	-5,582	-49,820	560	-1,429	-2,749
% of turnover	-9.1%	-57.1%	1.6%	-11.0%	-37.0%
Net profit/loss	-5,119	-53,002	21	-791	-2,745
% of turnover	-8.3%	-60.7%	0.1%	-6.1%	-36.9%
Return on equity, %	- <sup>1)</sup>	-440.3%	-0.3%	-106.8%	- <sup>1)</sup>
Return on investment, %	-54.3%	-160.8%	3.9%	-29.2%	- <sup>1)</sup>
Net gearing, %	- <sup>2)</sup>	- <sup>2)</sup>	23.1%	163.5%	- <sup>2)</sup>
Equity ratio, %	-17.3%	-14.3%	46.2%	25.2%	-16.4%
Gross investments in fixed assets	4,985	20,654	32,408	7,717	5,065
% of turnover	8.1%	23.7%	93.5%	59.3%	68.1%
Research and development expenses	- <sup>3)</sup>	- <sup>3)</sup>	- <sup>3)</sup>	- <sup>3)</sup>	- <sup>3)</sup>
% of turnover	- <sup>3)</sup>	- <sup>3)</sup>	- <sup>3)</sup>	- <sup>3)</sup>	- <sup>3)</sup>
<b>Per-share indicators</b>					
Earnings per share, EUR	-0.07	-0.73	0.00	-0.05	-0.08
Earnings per share, diluted, EUR	-0.06	-0.72	0.00	-0.05	-
Equity per share, EUR	-0.05	-0.08	0.46	0.08	0.02
Dividend/share, EUR	0.00	0.00	0.00	0.00	0.00
Share issue adjusted number of shares at end of period	107,400,738	90,539,168	67,269,106	53,541,360	35,051,580
Share issue adjusted number of shares during the period, weighted average	99,763,628	72,688,712	62,803,518	45,297,643	35,051,580
Share issue adjusted number of shares at end of period (diluted)	124,060,738	91,229,068	68,974,343	54,541,360	-
Share issue adjusted number of shares during the period, weighted average (diluted)	120,003,419	73,715,254	64,468,685	46,297,643	-
Share issue adjusted closing price at end of period, EUR	0.27	0.28	3.38	N/A	N/A
Market capitalisation at end of period, EUR	28,998,199	25,350,967	227,369,578	N/A	N/A
<sup>1)</sup> Return on equity and return on investment have not been presented, as the numerators and nominators of the indicators are negative. <sup>2)</sup> Net gearing is not presented, because shareholders' equity has been negative. <sup>3)</sup> Research and development expenses have not been presented, because they are not recorded separately in accounting.					

## FORMULAS FOR THE INDICATORS

### Return on equity, % (ROE)

$$\frac{\text{Profit before extraordinary items} - \text{taxes} \times 100}{\text{Shareholders' equity} + \text{minority interest (average)}}$$

### Return on investment, % (ROI)

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

### Equity ratio, %

$$\frac{\text{Shareholders' equity} + \text{minority interest} \times 100}{\text{Balance sheet total} - \text{advances received}}$$

### Net gearing, %

$$\frac{\text{Interest-bearing liabilities} - \text{liquid financial assets} \times 100}{\text{Shareholders' equity} + \text{minority interest}}$$

### Earnings per share (EPS), diluted

$$\frac{\text{Profit before extraordinary items} +/- \text{minority interest from profit/loss for the period} - \text{taxes}}{\text{Average share issue adjusted number of shares (diluted)}}$$

### Equity per share, diluted

$$\frac{\text{Shareholders' equity}}{\text{Share issue adjusted number of shares on the closing date (diluted)}}$$

### Dividend per share, diluted

$$\frac{\text{Dividend for the period}}{\text{Share issue adjusted number of shares on the closing date (diluted)}}$$

### Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items} +/- \text{minority interest from profit/loss for the period} - \text{taxes}}{\text{Average share issue adjusted number of shares}}$$

### Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Share issue adjusted number of shares on the closing date}}$$

### Dividend per share

$$\frac{\text{Dividend for the period}}{\text{Share issue adjusted number of shares on the closing date}}$$

### Dividend per earnings, %

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

# SHARES AND SHAREHOLDERS

## SHARES AND SHARE CAPITAL

Jippii Group Corporation has one series of shares. The shares do not have a nominal value; the accounting countervalue of the shares is 5 cents. The company's shares are included in the book-entry system. At the end of the financial year, the company's registered share capital amounted to EUR 5,370,036.90, which is divided into 107,400,738 shares.

During the report year and immediately after its end, the company's share capital was increased as follows:

- In November 2001, the company's Board of Directors decided to float an issue of convertible bonds totalling EUR 2 million. It was offered for subscription to the Swiss asset management company Moncheur & Cie SA. The loan period was from 21 November 2001 to 21 November 2003. The convertible bond was exchanged for 3,921,570 new Jippii Group Corporation shares, increasing the share capital by EUR 196,078.50. The subscription was entered into the Trade Register on 16 January 2002.

- An Extraordinary General Meeting held on 8 February 2002 decided to issue three convertible bonds. The terms included:

- Convertible bond 2002, a minimum of EUR 765,000 and a maximum of EUR 3,060,000 for subscription by Sampo Bank plc under individual terms, deviating from shareholders' pre-emptive right to subscribe for shares. A minimum of 15 and a maximum of 60 loan shares with a nominal value of EUR 51,000 (hereinafter "note") will be granted.

Notes 1–30, series A, a total of EUR 1,530,000, loan period 15 February 2002 to 15 February 2005. Notes 31–60, series B, a total of EUR 1,530,000, loan period 15 February 2002 to 15 February 2006. Each note of EUR 51,000 entitles the noteholder to convert it to one hundred thousand (100,000) Jippii Group Corporation shares. The shares subscribed for entitle their owners to an equal right to a dividend when the company pays dividends. On 15 February 2002, Sampo Bank plc subscribed for the convertible bond in full, that is, EUR 3,060,000.

- Convertible capital loan 2002 I, a minimum of EUR 2,040,000 and a maximum of EUR 8,160,000 for subscription by certain creditors selected by the Board of Directors, deviating from shareholders' pre-emptive right to subscribe for shares. A minimum of 400 and a maximum of 1,600 notes with a nominal value of EUR 5,100 will be issued, loan period 15 February 2002 to 15 February 2007. Each note of EUR 5,100.00 entitles the noteholder to convert it to ten thousand (10,000) Jippii Group Corporation shares. By 15 February 2002, the creditors had subscribed for a total of EUR 6,936,000.00 of the convertible capital loan. As at 31 December 2002, a portion totalling EUR 6,038,400 had been converted to 11,840,000 new Jippii Group Corporation shares, raising the share capital by a total of EUR 592,000. The increases in the share capital were recorded in the Trade Register between 3 April and 25 October 2002. The shares subscribed for entitle their owners to an equal right to a dividend when the company pays dividends.
- Convertible capital loan 2002 II, a minimum of EUR 1,275,000 and a maximum of EUR 5,100,000 for subscription by certain investors selected by the Board of Directors, deviating from shareholders' pre-emptive right to subscribe for shares. A minimum of 25 and a maximum of 100 notes with a nominal value of EUR 51,000 will be issued, loan period 22 February 2002 to 22 February 2007. Each note of EUR 51,100.00 entitles the noteholder to convert it to one hundred thousand (100,000) Jippii Group Corporation shares.

By 22 February 2002, the investors had subscribed for a total of EUR 5,100,000.00 of the convertible capital loan. As at 31 December 2002, a portion totalling EUR 561,000 had been converted to 1,100,000 new Jippii Group Corporation shares, raising the share capital by a total of EUR 55,000. The increase in the share capital was recorded in the Trade Register on 24 September 2002. The shares subscribed for entitle their owners to an equal right to a dividend when the company pays dividends.

On the basis of the issued convertible bonds, the share capital can be raised by a total maximum of EUR 833,000, representing 16,660,000 shares and 12.35% of the voting rights.

The Extraordinary General Meeting held on 15 January 2002 authorised the company's Board of Directors to decide, by 15 January 2003, on raising the share capital by means of a rights issue, granting share options and floating a convertible bond. On the basis of the authorisation, the share capital can be increased by a maximum of EUR 905,391. The authorisation includes the right to deviate from shareholders' pre-emptive right to subscribe for shares.

At the end of the report year, the company's Board of Directors did not have valid authorisations to purchase its own shares (share buyback).

The average price of the share in trading in 2002 was EUR 0.31. The highest share price was EUR 0.51 and the lowest was EUR 0.20. Share turnover during the report year amounted to 32,995,680 shares.



## SHARE OPTION PROGRAMMES

The company has share option programmes as part of its incentive scheme for management and personnel.

On the basis of the options in the share option programme targeted at personnel in 1999, 1,000,000 shares can be subscribed for during the period from 1 June 2001 to 31 May 2003 at a price of about EUR 0.45 (FIM 2.70) per share. By 31 December 2002, 1,000,000 of the share options had been subscribed for on the basis of the programme. After the beginning of the share option programme's subscription period, a total of 175,800 shares have been subscribed for on the basis of the options; thus, 824,200 share options are left, of which 25,000 are held by a Group subsidiary.

On the basis of the options in the share option programme targeted at personnel in 2000, 410,000 shares can be subscribed for during the period from 1 June 2001 to 31 May 2003 at a price of about EUR 1.01 (FIM 6.00) per share. By 31 December 2002, 410,000 of the share options had been subscribed for on the basis of the programme. After the beginning of the share option programme's subscription period, a total of 25,000 shares have been subscribed for on the basis of the options; thus, 385,000 share options are left, of which 45,000 are held by a Group subsidiary.

On the basis of the options in the share option programme targeted at personnel in 2001, 370,000 shares can be subscribed for at a price of EUR 4.50 per share. The subscription period is stepwise such that 40% of the shares can be subscribed for during the period from 1 June 2002 to 31 May 2003, 30% during the period from 1 June 2003 to 31 May 2004 and 30% during the period from 1 June 2004 to 31 May 2005. By 31 December 2002, 130,000 options were outstanding. No shares had been subscribed for on the basis of the options by 31 December 2002.

On the basis of the options in the share option programme directed at the company's Board of Directors in 1999, 650,000 shares can be subscribed for during the period from 1 June 2001 to 31 May 2003 at a price of about EUR 0.50 (FIM 3.00) per share. The options in the share option programme had been fully subscribed for by 31 December 2001. After the beginning of the share option programme's subscription period, a total of 400,000 shares have been subscribed for on the basis of the options; thus, 250,000 share options are left.

On the basis of the options in the share option programme targeted at the company's management in 2002, 6,000,000 shares can be subscribed for at a price of EUR 0.80 per share. The subscription period is stepwise such that 2,000,000 of the shares can be subscribed for during the period from 1 June 2003 to 31 May 2007, 2,000,000 during the period from 1 June 2004 to 31 May 2007 and 2,000,000 during the period from 1 June 2005 to 31 May 2007. By 31 December 2002, 6,000,000 options had been subscribed for, of which 4,496,000 are held by a Group subsidiary.

On the basis of the options in the share option programme targeted at the company's partners in 2002, 3,000,000 shares can be subscribed for at a price of EUR 0.80 from 21 October 2002 to 31 December 2004. By 31 December 2002, all the options had been subscribed for.

On the basis of all the remaining share options, the share capital can be increased by a maximum total of EUR 541,460, representing 10,829,200 shares and 8.03% of the voting rights.

## MANAGEMENT'S SHAREHOLDINGS AND SHARE OPTIONS

On 31 December 2002, Jippii Group Corporation's Board members, CEO and entities in which they have a controlling interest owned a total of 7,492,848 shares, representing 6.98% of the company's shares.

On 31 December 2002, Jippii Group Corporation's Board members, CEO and entities in which they have a controlling interest owned a total of 1,401,000 share options, which may be used to subscribe for 1.04% of the company's shares.

Entities in which Jippii Group Corporation's Board members have a controlling interest have subscribed for Convertible capital loan 2002 II to a total of EUR 1,428,000, on the basis of which the share capital can be increased by a maximum total of EUR 140,000, which corresponds to 2,800,000 shares and represents 2.08% of the voting rights.

**LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2002**

Shareholder	Number of shares	Holding, %
1. Auratum International S.A.	21,603,540	20.11
2. Tietoklusteri Oy	8,651,392	8.06
3. Turun Puhelin Oy telephone company	6,240,042	5.81
4. Ajanta Oy	6,226,320	5.80
5. Oy Hertaäissä Ab *	5,265,748	4.90
6. Moncheur & Cie SA	4,994,302	4.65
7. Salmivuori Ari Mika Petteri	2,799,640	2.61
8. Mandatum Stockbrokers Ltd.	2,664,700	2.48
9. PSS-Trade Ltd. Oy	2,521,172	2.35
10. Rausanne Oy **	1,998,000	1.86
11. Hemmi Anne	1,632,420	1.52
12. Aura Capital Oy	1,221,444	1.14
13. Auratum Oy	1,100,000	1.02
14. Evli Bank Plc	1,068,450	0.99
15. Neuvo Niilo	1,011,606	0.94
16. Risni-Yhtiö Oy	897,258	0.84
17. Keinänen Kai	649,102	0.60
18. Royal Skandia Life Assurance Ltd	612,296	0.57
19. Helin Arto	535,342	0.50
20. Toivo Anssi	529,394	0.49
Nominee-registered shares		
Nordea Bank Finland Plc	7,948,293	7.40
Hex Back Office and Custody Services Oy	70,400	0.07
Others	0	0.00
Other shareholders, total	27,159,877	25.29
<b>Total</b>	<b>107,400,738</b>	<b>100.00</b>

\*] Board member Kai Mäkelä has a majority stake in the company Oy Hertaäissä Ab, which is one of the ten largest shareholders.

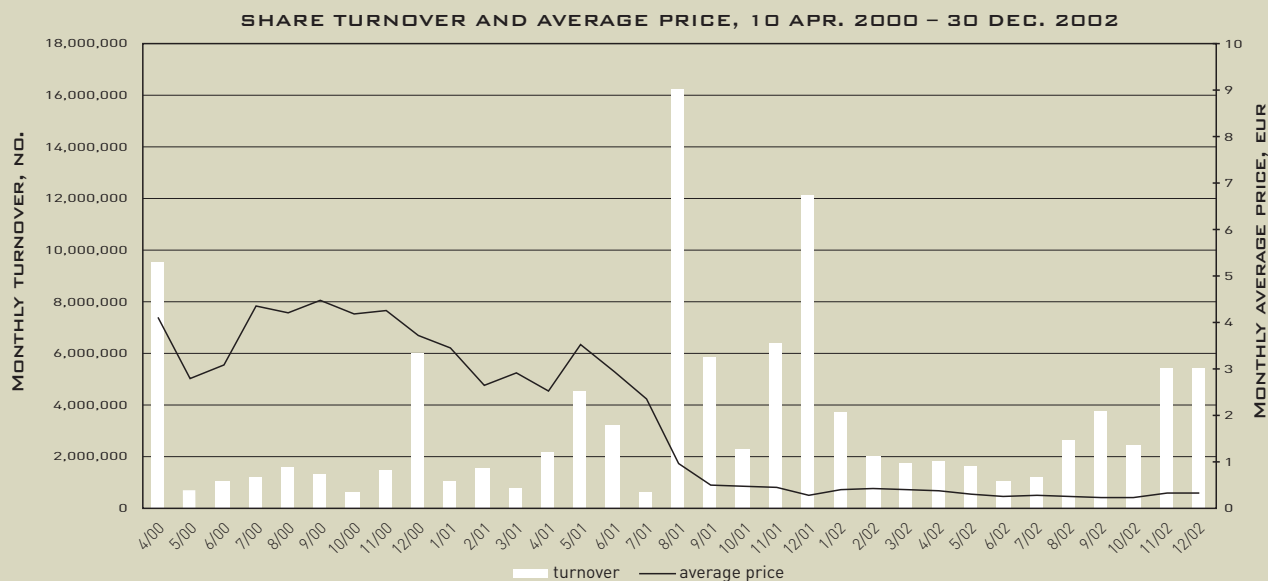
\*\*] Board member Rauno Puolimatka owns 100% of the company Rausanne Oy, which is one of the ten largest shareholders.

**SHAREHOLDERS BY GROUP AS AT 31 DECEMBER 2002**

Group	Number of shares	Holding, %
Private companies	38,329,219	35.69
Public companies		
Financial and insurance institutions	11,997,088	11.17
Public sector entities	22,000	0.02
Non-profit institutions	457,530	0.43
Households	29,310,317	27.29
Foreign owners	27,284,584	25.40
On the grand total account	0	0.00
<b>Total</b>	<b>107,400,738</b>	<b>100.00</b>

**SHARE PRICE TREND**

The diagram below shows Jippii Group Corporation's share price trend and turnover since the company's listing on the stock exchange in April 2000. The average monthly prices indicated in HEX's statistics are used in the diagram. Share prices predating the bonus issue on 16 October 2000 have been divided by two so that they are comparable with later share prices.


**DISTRIBUTION OF SHAREHOLDINGS BY SIZE CLASS AS AT 31 DECEMBER 2002**

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares, %
1-100	1,239	5.44	87,377	0.08
101-500	16,837	73.90	3,304,424	3.08
501-1,000	1,748	7.67	1,453,376	1.35
1,001-10,000	2,591	11.37	8,674,137	8.08
10,001-100,000	324	1.42	8,037,317	7.48
100,001-1,000,000	30	0.13	8,895,038	8.28
over 1,000,000	16	0.07	76,949,069	71.65
On the grand total account			0	0.00
On the clearing list of the book-entry register			0	0.00
<b>Total</b>			<b>107,400,738</b>	<b>100.00</b>
Of which nominee-registered shares			8,018,693	7.47

# PROPOSAL ON THE DISPOSAL OF EARNINGS

The Board of Directors proposes that no dividend be paid and that the net loss for the financial period be transferred to accumulated loss/retained earnings.

Helsinki, 11 March 2003

Pekka Vennamo  
Chairman

Matti Hietala

Thomas Hoyer

Esa Kerttula

Kai Mäkelä

Rauno Puolimatka

Matti Vikkula  
CEO

## AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF JIPPII GROUP CORPORATION

We have audited the accounting records, the financial statements and the corporate governance of Jippii Group Corporation for the period 1 January–31 December 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets 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 misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director of the parent company 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 a true and fair view, as defined in the Accounting Act, of both the consolidated and the parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the result of the accounting period is in compliance with the Companies' Act.

Shareholders' equity in the balance sheet of the company is less than half of the share capital. Matters related to the subject are discussed in the report of the Board of Directors.

Helsinki, 12 March 2003

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Juha Tuomala  
Authorised Public Accountant



Back row, from left: Ahti Vilppula, Thomas Hoyer, Esa Kerttula and Matti Hietala. Front row, from left: Kai Mäkelä, Pekka Vennamo and Rauno Puolimatka.

**Chairman**

**Pekka Vennamo**

(born 1944) is the Chairman and CEO of Sijoitus Oy, of which he owns 100%. Previously, he has served as an MP, Second Minister of Finance and Minister of Transport and Communications. After leaving politics, he has worked as the Director General of Posti-Tele and then Sonera. Vennamo also serves as the Chairman of the Boards of Aldata Solution Oyj and Soprano Oyj and a member of the Boards of Janton Corporation and Boardman Oy. In addition, Vennamo counsels numerous small and medium-sized companies. Pekka Vennamo has been the Chairman of Jippii Group's Board of Directors since 2001. On 31 December 2002, Vennamo owned 16,500 shares in Jippii Group Corporation. He owns 412,000 Jippii Group Corporation share options.

**Vice Chairman**

**Rauno Puolimatka**

(born 1957), BBA, is the Chairman of Auratum Oy and the Managing Director of Auratum Oy's major owner, Rausanne Oy. He is the Chairman or member of many Auratum Group companies, such as Aura Capital Oy and Auratum Kiinteistöt Oy. Puolimatka also serves as a member of the Boards of Janton Corporation, Turun Arvokiinteistöt Oyj and numerous real-estate companies. He is a member of Hallitusammattilaiset (Association of Finland's Board Professionals) and the lobbying working group of Family Business Network Finland. Rauno Puolimatka has been a member of the Board of Jippii Group since 2001 and its Vice Chairman since 2002. On 31 December 2002, Puolimatka owned a total of 1,998,000 Jippii Group Corporation shares through a corporation in which he has a controlling interest.

**Matti Hietala**

(born 1949), M.Sc. (Eng.), is a partner in Helmet Business Mentors Oy. Previously, he served as the Managing Director of Oy Unisys Ab from 1991 to 2002. Before that, he worked for Hewlett-Packard as Marketing Director in Finland and as a Regional Manager in Amsterdam and Geneva for twelve years. Matti Hietala is also a member of the Board of Aldata Solution Oyj. Hietala has been a member of the Board of Jippii Group Corporation since 2001. He does not own Jippii Group Corporation shares. He owns 103,000 Jippii Group Corporation share options.

**Thomas Hoyer**

(born 1974), M.Sc. (Econ.), has been a member of the Management Board of Mach Hitech AG since 2000. Mach Hitech is a Swiss investment company that invests in small and medium-sized European technology companies. Before his present position, Hoyer worked for Allianz Asset Management in Germany. As Portfolio Manager, he was responsible for the Allianz Group's teleoperator investments. Thomas Hoyer has been a member of the Board of Jippii Group since 2001. On 31 December 2002, Hoyer owned 100,000 Jippii Group Corporation shares. He owns 103,000 Jippii Group Corporation share options.

**Esa Kerttula**

(born 1948), Professor, D.Sc. (Tech.), is the CEO and Chairman of the Board of Prof-Tel Oy, a business management consultancy specialising in telecommunications strategies, which he founded and owns. Esa Kerttula has worked in numerous management positions for Posti-Tele from 1973 to 1991 and for Sonera SmartTrust in Germany from 2000 to 2001. Kerttula has served as a Professor of Telematics at the Lappeenranta University of Technology since 1989. Kerttula has completed a degree programme in business management at Stanford Business School. He has been a member of Raddichio Scientific Advisory Board since 2002. Esa Kerttula has been a member of the Board of Jippii Group since 2001. He does not own Jippii Group Corporation shares. He owns 103,000 Jippii Group Corporation share options.

**Kai Mäkelä**

(born 1947), M.Sc. (Econ.), approved auditor, serves as the Chairman of the Board of Janton Corporation as well as the Chairman of the Board and Managing Director of the investment company Oy Herttaässä Ab, which he owns. Herttaässä is one of the main owners of Janton Corporation. Mäkelä is a member of the Boards of numerous subsidiaries and associated companies of Janton (including Länsi-Uusimaa Oy and Suomen Suoramainonta Oy). He is also a member of the Boards of Interavanti Oyj and A Company Finland Oyj. Kai Mäkelä has been a member of the Board of Jippii Group since 2002. On 31 December 2002, Mäkelä owned a total of 5,265,748 Jippii Group Corporation shares through a corporation in which he has a controlling interest.

**Ahti Vilppula**

Advisor to the Board of Directors



Back row, from left: Matti Vikkula, Jukka Peltola and Jukka Virtamo. Front row, from left: Rami Ryhänen and Panu Lehti.

**CEO**

**Matti Vikkula**

(born 1960), M.Sc. (Econ.), Jippii Group Corporation's CEO since 13 December 2001. Among other positions, he has previously worked as a business management consulting partner at PwC Consulting. In addition, he is the Chairman of the Board of Directors of Kristina Cruises Oy. On 31 December 2002, Vikkula held 112,600 Jippii Group Corporation shares. He owns 680,000 Jippii Group Corporation share options.

**Panu Lehti**

(born 1970), COO, Internet and Teleoperator unit  
With the company since 6 July 2000  
Member of the Management Board since 7 January 2002  
Jippii Group shares: 149,694 (through underage children in his custody and a controlled corporation)  
Options: -

**Jukka Peltola**

(born 1970), Director, Internet and Teleoperator activities  
With the company since 24 June 2002  
Member of the Management Board since 24 June 2002  
Jippii Group shares: 129,220  
Options: -

**Rami Ryhänen**

(born 1967), MBA, Managing Director of Jippii Mobile Entertainment Oy  
With the company since 1 February 2003  
Member of the Management Board since 1 February 2003  
Jippii Group shares: -  
Options: -

**Jukka Virtamo**

(born 1959), M.Sc. (Econ.), CFO  
With the company since 18 January 2002  
Member of the Management Board since 1 September 2002  
Jippii Group shares: 5,000  
Options: -



## CORPORATE GOVERNANCE

The governance of the Group formed by Jippii Group Corporation is based on the Finnish Companies Act and the Articles of Association. Authority, supervision and management have been divided between the Annual General Meeting, the Board of Directors and the CEO in accordance with these regulations. Jippii Group Corporation's corporate governance and administration are primarily organised in line with the guidelines on the administration of public listed companies issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (TT), which were published in February 1997.

### ANNUAL GENERAL MEETING

Jippii Group Corporation's Annual General Meeting is the Group's highest decision-making body. The Annual General Meeting takes decisions on such matters as are specified as being the business of Annual General Meetings in the Finnish Companies Act. The most important of these matters include amending the Articles of Association, approving the financial statements, deciding on the payment of dividends, authorising the Board of Directors to issue shares and share options, releasing the Board members and the CEO from liability, and electing the Chairman of the Board, the Board members and auditors.

### BOARD OF DIRECTORS

The Board of Directors shall include a minimum of three and a maximum of eight members who are elected at the Annual General Meeting. The members' term of office ends at the conclusion of the subsequent Annual General Meeting. The Board of Directors holds the highest responsibility for the Group's operations, compliance with the administrative principles and the proper organisation of operations.

The Board of Directors decides on the key goals of the Group and the strategies drafted to achieve them, operating instructions and other matters that are of far-reaching significance to operations, including the budgets and operating plans of the business areas, acquisitions, the operational structure of the Group and the personnel compensation policy.

### CEO

The Board of Directors elects the company's CEO and decides on his salary and other benefits. The CEO's task is to manage and supervise the company's business operations in accordance with the objectives and instructions laid down by the Board of Directors.

### THE GROUP'S MANAGEMENT BOARD

The Chairman of the Group's Management Board is the CEO. The other members of the Management Board are the Directors of the Internet and Teleoperator unit and the Mobile Entertainment unit and the CFO of the Group's parent company.

The Management Board's task is to follow and oversee the realisation of strategies and objectives that are important to the Group and direct corporate resources so that objectives can be achieved.

### REMUNERATION PAID TO SENIOR MANAGEMENT

The Annual General Meeting confirms the remuneration to be paid to Board members. The Board of Directors confirms the salaries and other benefits of the CEO and the Group's Management Board. At present, the CEO, the members of the Group's Management Board and the companies' key employees are covered by a share option scheme.

### FINANCE

The responsibility for the Group's internal and external accounting is centralised within the financial administration of the parent company, which is responsible for preparing the financial information of the business areas and confirming the veracity of said information. The parent company's Finance & Accounting Department specifies the Group's accounting principles and the accounting policy applied in the financial statements as well as carries out Group-level and business area consolidation and prepares the related additional information. The Group companies report to the parent company in accordance with the issued instructions.

### TREASURY

The Group's treasury function is centralised within the parent company. The Group's external long-term loan arrangements are passed to the Board of Directors for approval.

### AUDIT

The Group has one auditor that must be a firm of auditors approved by the Central Chamber of Commerce. The auditor is elected until further notice.

### INSIDER REGULATIONS

The company has its own insider guidelines. The company's internal insider guidelines and the Guidelines for Insiders released by Helsinki Exchanges for listed companies on 1 March 2000 are in agreement on the restrictions on the trading of the parent company's shares.

**FINLAND**

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