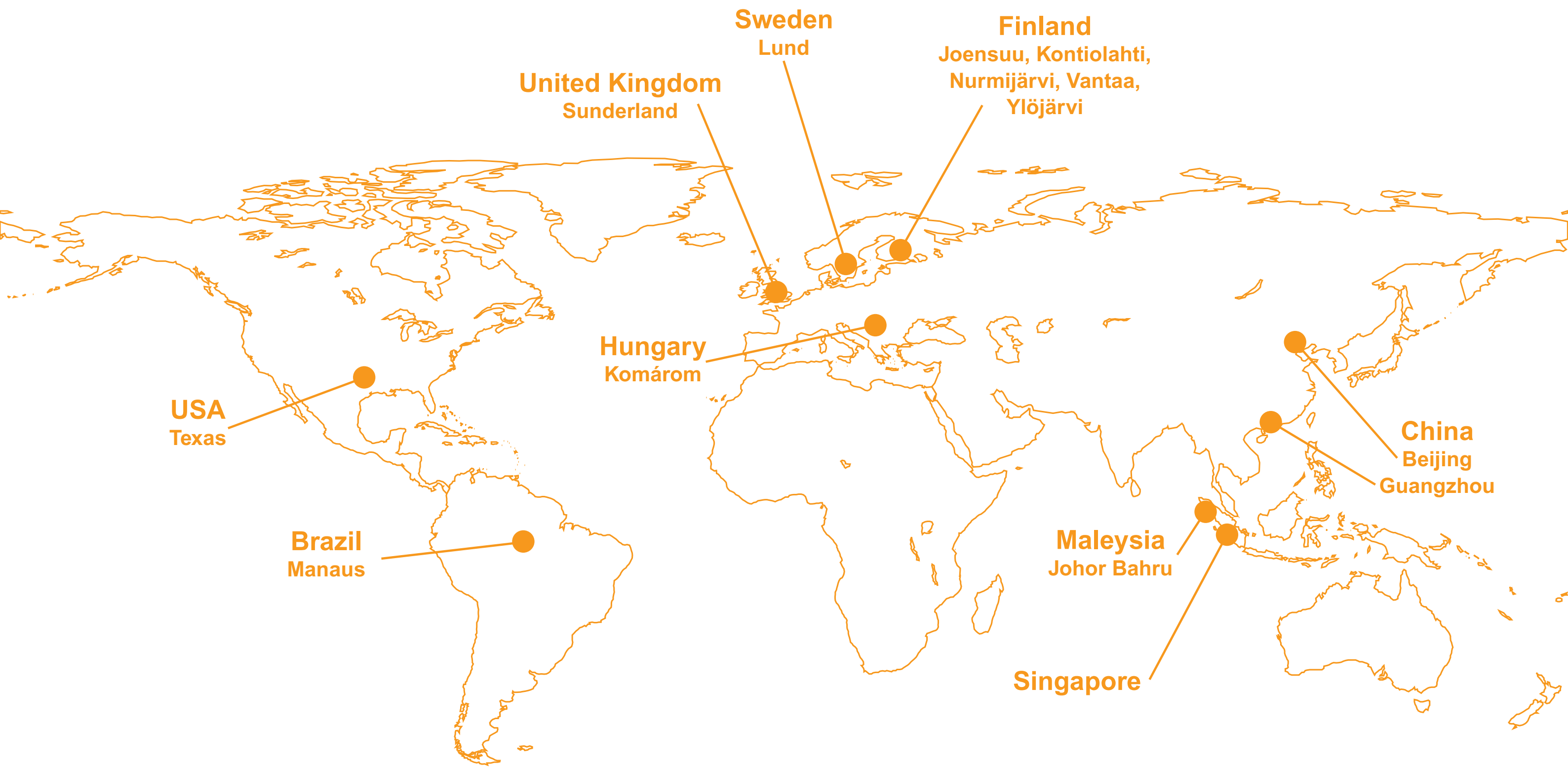
ANNUAL REPORT 2002

PERLOS

SOLUTIONS TO CHALLENGES

PERLOS WORLDWIDE



Perlos is a global supplier for the telecommunications and pharmaceutical industries.The company focuses on the mass production of technically demanding components and subassemblies with strict demand on accuracy and quality. Perlos' products include e.g. mechanical parts for mobile phones, moulds, antennas, connectors as well as various drug delivery devices, such as asthma inhalers and inserters used in cancer treatment and birth control.

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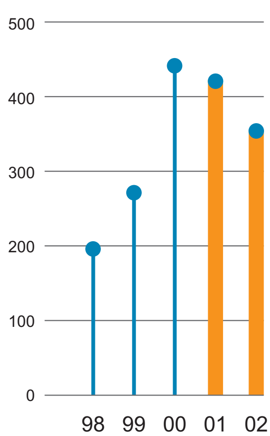
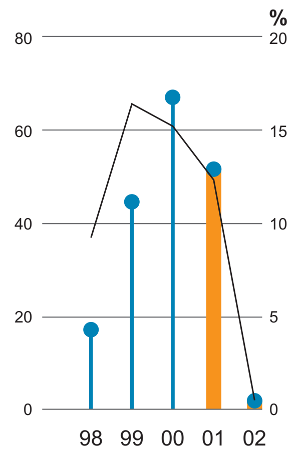
KEY GRAPHS 1998–2002

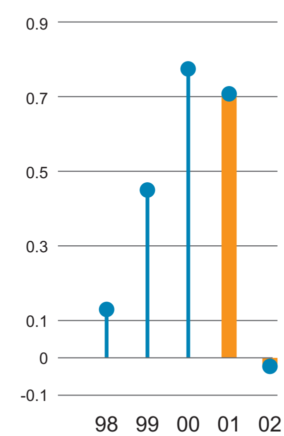
Net sales, EUR million



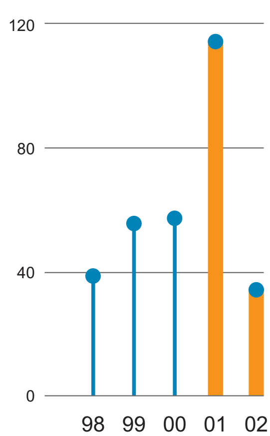
EBIT, EUR million and % of net sales



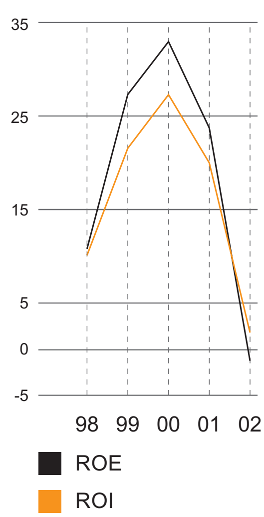
Earnings per share, EUR (diluted)



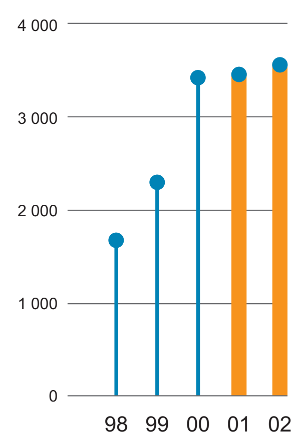
Cash flow from operations, EUR million



Return on equity (ROE) and return on investment (ROI), %



Average number of personnel



PERLOS IN BRIEF

Market position

- The world's largest manufacturer of mechanic precision plastic and metal components for the mobile phone industry
- One of the world's largest manufacturers of powder inhalers for the pharmaceutical industry
- Leading supplier of new technologies in its own business areas, providing support at all stages from R&D to product delivery

Market areas

Perlos operates on a global scale. The Group has operations in Brazil, China, Finland, Hungary, Malaysia, Singapore, Sweden, the UK and the USA. Clean room production plants for the pharmaceutical industry are located in Finland and the UK.

Customers

The world's leading mobile phone manufacturers and pharmaceutical companies.

Strategic objectives

Perlos' goal is to achieve profitable growth, maintain a leading position in its field in Europe and strengthen its position in China and the Americas. Growth may take place either organically or through acquisitions. The aim of company acquisitions is to obtain new technologies and complement Perlos' service offering, as well as expand the customer base, especially in the pharmaceutical industry.

Dividends policy

Decisions on dividends shall take into consideration the company's financial and economic position, as well as the investments needed for growth. The goal is to achieve steady dividend development.

BUSINESS LINES

Telecommunications & Electronics

Telecommunications & Electronics accounts for nearly 90% of Perlos' net sales and focuses on worldwide mass production and assembly of components for the telecommunications industry. End products include mechanical plastic and metal components for mobile phones, assembly lines, injection moulds, antennas and connectors.

Pharma

Pharma accounts for some 10% of Perlos' net sales. Pharma manufactures and assembles mechanical drug delivery devices used in the treatment of chronic diseases. End products include e.g. asthma inhalers and inserters used in cancer treatment and birth control.

REVIEW BY THE PRESIDENT

A year of changes

2002 was already the second consecutive year of no growth in the mobile phone industry, Perlos' largest customer group. Unlike the previous year, however, the sector was prepared for this development. All suppliers faced the same problems of how to maintain at least adequate plant operating rates. The excess capacity in the sector also increased price competition. Significant production volumes were transferred to the Far East, particularly China, which was already producing almost one-third of the world's mobile phones.

The pharmaceutical industry continued its consolidation and globalisation in 2002. Pharmaceutical companies seem to focus on their core business, such as research and brand management, while other sections of the value chain are outsourced. The manufacture of drug delivery devices, such as inhalers, is an example of an outsourceable section of the value chain. In 2002, there were no major changes in the competitive scene. Perlos is one of the world's leading manufacturers of powder inhalers.

Net sales returned to growth span towards the end of the year

In terms of net sales and profitability, the objectives set for 2002 were not reached. Full-year net sales, EUR 364.6 million, fell clearly from the previous year (EUR 431.6 million in 2001), as did the earnings per share of EUR -0.04 (EUR 0.77).

The decrease in the net sales was mainly due to two factors with a particular impact in the first half of the year. First, there were unforeseen changes not attributable to Perlos in some mobile phone projects with key importance to Perlos. Also, as a result of the reorganisation development in the sector, Perlos' customer base decreased towards the end of the year. This reflected on the early year as a low capacity utilisation ratio and poor profitability. In the

summer, net sales took a strong upturn and the capacity utilisation ratio improved markedly. However, ramp-ups of some new products required larger investments than originally estimated, which slowed the improvement of profitability.

The cash flow from operations was EUR 36.6 million and, in line with the objectives, clearly in the black.

Investments supporting the growth strategy

Perlos continued its investments for increasing its global production capacity. Strenghtening its position in the fastest growing market areas is a strategic objective for Perlos. Perlos decided to establish a second plant in China, located close to the Xingwang industrial park in Beijing. In the spring, Perlos expanded its operations to South America by establishing a plant in Manaus in Brazil. In the Telecommunications & Electronics customer group, the largest single equipment investments involved the painting lines constructed in several plants.

An important strategic step for the Pharma customer group was the partial conversion of the Sunderland plant in the UK for clean room production. The role of the Sunderland plant will be increasingly important in terms of reaching the objectives for growth. To date, the strategy in the pharmaceutical industry has been to grow organically.

Towards a comprehensive service

In Perlos' two business areas, the mobile phone and the pharmaceutical industries, customers are expecting increasingly comprehensive service packages. It is important for the customers that the product travels rapidly from the design table to prototypes and further to production and global deliveries. Perlos continued the development of its service concept in the past year. The company has further increased its co-operation with the customers already at the product project planning stage. The objective is to ensure the maximum efficiency of operations and the product's compliance with strict quality criteria through optimising decisions on the materials, production technology, assembly solutions and country of manufacture.

In the development of new technologies, Perlos has adopted a distinctive, new strategy. Previously mainly a part of the customer's product projects, research and development activities are now increasingly aimed at also finding own new applications and solutions for component manufacturing. Perlos' key objective is to promote the customers' product development by integrating components already in the production stage without a separate assembly process. This brings electronic components into the picture. In preparation of this development, Perlos acquired a company focusing on the design and manufacture of antennas at the end of 2001. The next step was the establishment of the research and development company Asperation Oy jointly with Aspocomp Oyj.

Outlook for 2003

After two weaker years, many are already expecting the mobile phone industry to grow in 2003. A growth rate of approximately 10% is seen possible, although there are also more moderate forecasts. The recovery of the global and the US economy, in particular, is still on shaky ground, and Perlos is cautious in its growth expectations. The pharma-ceutical industry does not foresee significant changes in the market, and sector growth is estimated to continue in line with the previous years at an annual rate of 10%.

Perlos undertook a major effort to expand the customer base in 2002 and succeeded in reaching this objective in both business areas. We believe that in 2003, the net sales of our Telecommunications & Electronics customer group will grow faster than the market. The growth of the net sales of the Pharma customer group is expected to follow the growth rate of the industry.

Vantaa, February 2003
Timo Leinilä, President

TELECOMMUNICATIONS & ELECTRONICS

A challenging business environment

The mobile phone industry, Perlos' largest customer group, was characterised by a two-fold development in 2002. Although slower earlier in the year, the demand for mobile phones picked up towards the end of the year. Continuous change is distinctive of the industry. The volume of new phone models and other wireless terminal devices entering the market is expanding rapidly, while product life cycles are growing shorter. Consequently, the speed of the design and production processes will play an increasingly important role in the future. At the same time, the number of components needed in a mobile phone has decreased to approximately one-third in the past ten years. Asia and especially China are fast gaining importance as both manufacturers and end markets.

Two-fold development in the net sales

In 2002, the net sales of the Telecommunications & Electronics customer group decreased by approximately one-fifth from the previous year to EUR 313.3 million (EUR 383.1 million). This was mainly due to two factors with a particular impact in the first half of the year. First, there were unforeseen changes not attributable to Perlos in some projects that were of key importance to Perlos. Also, as a result of recent reorganisations in the sector, Perlos' customer base narrowed towards the end of 2001. This manifested itself in the first months of 2002 as a low capacity utilisation ratio and poor profitability.

New projects were rapidly started in the summer, and towards the end of the year, the net sales already increased faster than the mobile industry. The net sales of the second half of the year increased by 25% from the first half of the year. Although the capacity utilisation ratio improved considerably by the end of the year, ramp-ups of some new products required more investments than originally foreseen, thus slowing down the improvement of profitability. Profitability was also burdened by severe price competition.

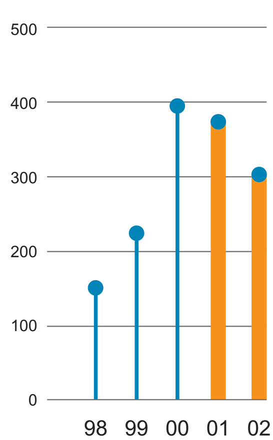
In 2002, Perlos obtained significant new customer accounts and now acts as a supplier to three global mobile phone manufacturers.

Aiming at strengthening the leading position

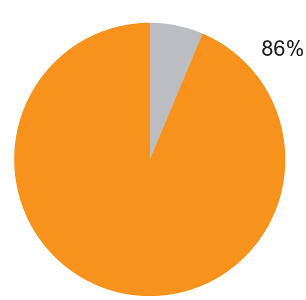
Perlos is the largest supplier for the mobile phone industry in its own segment, as a designer and manufacturer of mechanical components. Perlos aims at further strengthening its lead by expanding the customer base, broadening the service range towards increasingly larger partial deliveries and strengthening its presence in the key markets.

A prime example of Perlos' own R&D innovations in 2002 is the intelligent phone cover with a range of integrated functions, such as antennas. Perlos' R&D expertise was also boosted by establishing a joint company Asperation Oy. Local presence was strenghened by establishing a new plant in Brazil and by increasing production space in several plants.

Net sales 1998–2002, EUR million



Share of Group's net sales 2002



PHARMA

Favourable changes in the business environment

Consolidation and restructuring continued in the pharmaceutical industry in 2002. Pharmaceutical companies are focusing on their core business, while other parts of the value chain are being outsourced. The manufacture of drug delivery devices is an example of outsourceable operations. The delivery devices will also play an increasingly important role as a differentiating factor for medicine brands.

Along with the aging of the demographic structure, chronic diseases, such as diabetes, various cancers and pulmonary congestion, will increase. The importance of home care in the treatment of these diseases will also increase.

Consequently, the demand for drug delivery devices is expected to grow in the foreseeable future. An annual growth rate of approximately 10% is foreseen for the demand for inhalers. In 2003, sales volumes are estimated at almost 700 million inhalers.

Strong fluctuations in the net sales

The net sales of Perlos Pharma customer group increased to EUR 38.4 million (EUR 37 million), accounting for 11% (8%) of the Group's net sales. The net sales increased by 4% from the previous year.

However, there were strong fluctuations in the net sales during the year. The early year was exceptionally good and in the first quarter, net sales increased by 24% from the previous year. Growth was boosted particularly by new products launched on the market. In the second quarter, the net sales decreased by 13% from the previous year, while the third quarter saw an upturn of 14%. Growth continued to strengthen in the last quarter and, boosted by the demand for injection moulds and automatic assembly lines, increased by 50% from the third quarter. Compared with the corresponding period in the previous year, however, growth decreased by 4%.

Variation between the quarters can be principally accounted to a lack of efficiency in the overall management of the delivery chain. The distributors' stock levels vary considerably, which is reflected on the early part of the delivery chain as even stronger variation in load levels.

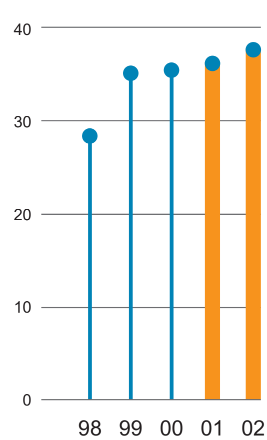
Growth strategy

The core of Perlos Pharma's strategy is growth. Perlos is currently one of the leading manufacturers of powder inhalers and determined to maintain its position also in the future. Global customers need a global partner with strong design, production and project competencies and a sufficient amount of critical mass for operating with the giants in the pharmaceutical industry.

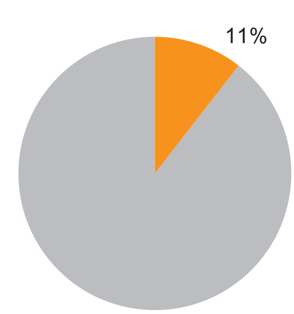
In the future, Perlos' priorities will include the efficiency of operations and a presence in Europe, the USA and Asia. The company is also increasing its commitment to offering increasingly comprehensive service concepts covering services from design to delivery. In line with this strategy, Perlos continued the internationalisation of the Pharma division in 2002. At the beginning of the year, the manufacture of drug delivery devices began in Sunderland in the UK.

Thanks to over 20 years of experience in manufacturing drug delivery devices, Perlos has a strong track-record in quality and clean room production. Experience gained in the mobile industry of rapid prototype manufacture and production ramp-ups provides Perlos with a competitive edge also in the pharmaceutical industry.

Net sales 1998–2002, EUR million



Share of Group's net sales 2002



HUMAN RESOURCES

The year 2002 was a time of changes in Perlos' operating environment. The company underwent a number of changes to be able to face challenges and create a foundation for future requirements. The organisation was revised, processes streamlined and the efficiency of operating methods increased to improve productivity.

All this also required a lot from the human resources operations. The implementation of Perlos' vision and strategy requires a systematic management and development of the employees' competence and their motivation for self-development.

Perlos adopted a new HR management system in 2002. Thanks to the system, human resources management achieved a new level, providing the supervisors with even better opportunities for promoting the professional development of their subordinates. The system has been used for determining position-specific competence profiles on a corporate level, intensifying the efficiency of HR processes and promoting the standardisation of operating models. Also the existing work classification and competence evaluation systems were further developed, and the bonus system involving the entire personnel was revised.

Training

Perlos makes significant efforts in the development of the professional skills and competence of its employees every year. In 2002, approximately 200 employee training units were organised, as well as a large number of unit-specific trainings. The training focused especially in vocational and language skills, leadership and project management.

Job satisfaction

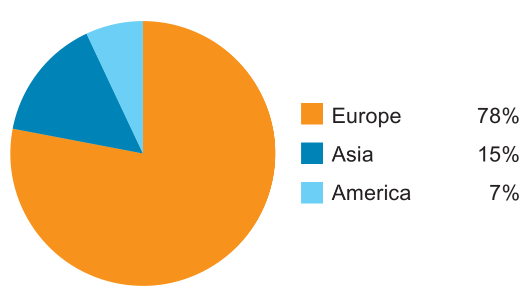
A job satisfaction survey covering the entire personnel was conducted in November 2002. The results indicate that while the pressure caused by changes reflect on the organisation, employee commitment is high and the personnel is willing to continue the development of operations. Supervisor-subordinate interaction, induction, internal communication and rewarding emerged as the key areas of development.

Recruitment

In 2002, the payroll increased by 640 people. Geographically, most of the employees were recruited in China and Hungary.

Perlos offers a wide range of opportunities for international assignments, and job rotation between Perlos' offices in different countries is increasing continuously. Perlos is also actively co-operating with vocational schools and colleges, particularly in North Karelia in Finland, where the company's major plants are located.

Personnel by region



RESEARCH & DEVELOPMENT AND ENVIRONMENT

Research & Development

Perlos' R&D focuses on creating solutions for evolving customer needs. Perlos works together with its customers on the product idea from a very early stage. The idea is rapidly elaborated into a product by selecting the right materials and technologies. Manufacturing processes are upgraded continuously and the advantages imparted by new materials are exploited as rapidly as possible.

In line with the strategy of providing more complete customer solutions, Perlos has strengthened its R&D by acquiring antenna technology know-how already in 2001. The first fruits of this investment became visible in the third quarter of 2002, when a broadband antenna covering most of the commonly used frequency bands was introduced. This concept meets the demand, from our customers, on an integratable, "all band in one" antenna in interplay with the cover.

The second new concept, "functional cover", was introduced by the end of 2002. This is a wiring infrastructure, which supports component placement and interconnections to other elements, on a polymer carrier. This platform can be utilised in the design, to integrate more functions in a size and cost optimal way.

In 2002, Perlos also founded Asperation Oy, a joint venture in the field of R&D. Asperation is wholly owned by Perlos and Aspocomp Group Oyj on a 50/50 basis. Asperation focuses on the development and research of integrated concepts mainly for the telecommunications and electronics industry. The objective is to produce new innovations that both companies can use in their own operations. Commercially significant and value-adding solutions for customers are expected in 2003.

Environment

The aim of Perlos' environmental policy is to use materials and energy economically and to minimise emissions and wastes. Objectives have been specified on a unit-specific level and their realisation is followed by means of regular reviews. Perlos also requires its co-operation partners to comply, in their operations, with safe production methods that place as minimal a burden on the environment as possible.

Most of Perlos' production plants use an ISO 14001-certified environmental system. Perlos monitors and reports the amount of landfill disposal waste, recycled and hazardous waste. Emissions into the air, electricity and water consumption, as well as environmental operating costs and investments are also monitored. In 2002, the company focused its major environmental investments on the development of air protection.

Perlos also provides annual reports of data on the indicators concerning health, safety and the environmental protection in accordance with the chemical industry's Responsible Care programme.

THE BOARD'S REPORT

Net sales and result

In 2002, Perlos' net sales went down to EUR 364.6 million (EUR 431.6 million in 2001), mainly for two reasons with a particular impact in the first half of the year. First, there were unforeseen changes not attributable to Perlos in some mobile phone projects with key importance to Perlos. Also, as a result of the reorganisation development in the sector, Perlos' customer base decreased towards the end of the previous year 2001. This reflected on the early year as a low capacity utilisation rate and poor profitability.

In the summer, the net sales took a strong upturn and the capacity utilisation rate improved substantially. However, ramp-ups of some new products required larger investments than originally estimated, which slowed the improvement of profitability. During the past year, profitability was also encumbered by the strong price competition in the mobile phone sector. For these reasons, the Group's operating profit went down to EUR 1.4 million in 2002 (EUR 53.2 million), totalling 0.4% of the net sales (12.3%).

Loss for the period was EUR 2.1 million (profit EUR 39.8 million) or -0.6% (9.2%) of the net sales. Earnings per share (diluted) amounted to EUR -0.04 (EUR 0.73). Loss for the period includes an unforeseen writedown of current assets and fixed assets to the amount of EUR 3.0 million made in connection with the closing of the accounts, and acquisition costs to the amount of EUR 1.4 million that were originally entered on the balance sheet. The result was improved by the settlement of the deferred tax liabilities of EUR 2.9 million in the final quarter.

The cash flow from operations before investments was EUR 36.6 million (EUR 116.8 million). Cash flow after investments was EUR -2.8 million (EUR 83.5 million).

Of the Group's net sales, 75% (66%) came from Europe and 14% (21%) from the Americas. Asia and other countries accounted for 11% (13%) of net sales. Components manufactured by Perlos, assembly and painting services as well as other services accounted for the majority of the net sales, 83% (81%). In 2002, Perlos initiated the production of several new products. As a result, the share of injection moulds and assembly automation of the net sales remained at a high level at 17% (19%).

Telecommunications & Electronics

The net sales of the Telecommunications & Electronics customer group decreased in 2002 to EUR 313.3 million (EUR 383.1 million), accounting for 86% (89%) of the Group's net sales.

Net sales development during the year was two-fold. Early in the year, development was encumbered by a decrease in the customer base and unforeseen changes in certain product projects. In the summer, net sales saw a strong upturn, and in the second half of the year, net sales were up by 24% compared with the first half of the year. Reviewed on a quarterly basis, the net sales decreased in the first quarter by 46% and in the second quarter by 32% from the corresponding periods in 2001. In the third quarter, the net sales were up by 20% and in the fourth quarter by 11% compared with the corresponding period in the previous year. Profitability improved slowly.

The net sales of antenna manufacturers Moteco AB and gigaAnt AB as well as their subsidiaries, acquired at the end of 2001, are included in the figures for the Telecommunications & Electronics as of January 1, 2002. Moteco and gigaAnt business operations were clearly in the red in 2002.

Pharma

The net sales of the Pharma customer group were up by 4%, totalling EUR 38.4 million (EUR 37.0 million) and accounting for 11% (8%) of the Group's net sales.

The customer group had a particularly good early year and the net sales were up by 24% in the first quarter from the corresponding period in the previous year. Growth resulted from new products entering the market and an expanded client base. After a strong first quarter, the net sales began to fall and the net sales of the second quarter were down by 13% from the previous year. During the third quarter, the net sales increased again by 14% from the previous year. Growth continued even stronger during the final quarter. Boosted by major mould and automation deliveries, the net sales grew by 49% from the third quarter. However, compared with the corresponding period in the previous year, the net sales were down by 5%.

Variation between the quarters can be principally accounted to a lack of efficiency in the overall management of the delivery chain. The distributors' stock levels vary considerably, which is reflected on the early part of the delivery chain as significant variation in load levels.

The profitability of the customer group was significantly encumbered by the modification of the plant in the UK to meet the needs of the Pharma customer group and the low capacity utilisation rate during the second quarter.

Industrial & Consumer Products

The net sales of the Industry and Consumer Products customer group totalled EUR 12.9 million (EUR 11.5 million), accounting for 3% (3%) of the Group's net sales. Formerly called Other Industries, the group's operations did not undergo any major changes in 2002.

Acquisitions

On March 1, 2002, Perlos and Aspocomp Group Oyj agreed to found a joint research and development company. The new company was named Asperation Oy and its ownership is shared equally between Aspocomp Group Oyj and Perlos Corporation.

Asperation Oy focuses on research and development of integrated components for Telecommunications & Electronics. The objective is to produce new innovations that the founding companies can use in their own operations. Moreover, the cooperation aims to cut down the time-to-market of development process and innovations. The company is expected to produce commercially significant and value-adding solutions for customers in 2003.

On June 28, 2002, Perlos and Etteplan Oyj signed an agreement to found a joint venture, EPE Design Oy. Perlos and Etteplan both have a 50% holding of the shares of the new company.

EPE Design is specialised in providing engineering design services that are needed in the development and manufacture of Perlos' products as well as in the design of assembly automation and injection moulds. The joint venture is able to tap into the entire Etteplan Group's expertise within mechanical, automation and electronics design. EPE Design Oy provides engineering design services, not only for Perlos but also for other customers.

Investments

The Group's gross investments in 2002 totalled EUR 40.9 million (EUR 37.3 million) or 11.2% (8.6%) of the net sales. The key targets included plant extensions and investments in painting lines at several plants.

Early in the year, Perlos established a subsidiary in the free trade area in Manaus, Brazil. Perlos Ltda primarily offers manufacturing services and assembly of components to the customers of Telecommunications & Electronics in Brazil. Perlos Ltda began the construction of its new plant in the summer. Covering a floor space of approximately 4 800 square metres, the plant was completed according to the schedule at the turn of the year.

The production of pharmaceutical products at the Sunderland plant in the UK also began early in the year. A part of the plant has been converted to a controlled environment suitable for the production of pharmaceutical products.

Perlos' Hungarian subsidiary Perlos Precision Plastics Moulding Limited Liability Company began the extension of its plant in Komáron in Hungary in the summer. After the extension, the area of the plant was almost doubled to roughly 12 500 square metres. The new facilities were ready for production purposes later in the year.

Located in Beijing in China, the business operations of Moteco Telecommunication Equipment Co. Ltd were merged with the operations of Perlos (Guangzhou) Engineering Plastics Co. Ltd. The manufacture of antennas for mobile phones was transferred to Perlos' Guangzhou plant later in the year.

In December Perlos announced it would build a new production plant in Beijing in China. The plant will be located in a leased facility at Beijing Economic and Technological Development Area close to the Xingwang industrial park. In legal terms, Perlos established a new 100% owned subsidiary in Beijing. With a floor space of 10 700 square metres, the plant will almost double Perlos' current production space in China. Production at the new factory is expected to begin in the second quarter of 2003.

Financing

The Group's financial position has remained good. The Group's liquid assets at the end of the review period were EUR 29.8 million (EUR 25.2 million) and its unused committed credit facilities amounted to EUR 132.5 million (EUR 77.5 million). The net gearing ratio was 0.48 (0.25) and the equity ratio 47.6% (59.6%). At the end of the review period, the Group's liabilities amounted to EUR 172.4 million (EUR 146.5 million) and interest-bearing net debt to EUR 71.9 million (EUR 46.8 million).

Personnel

In 2002, Perlos Group employed 3 641 people (3 538) on average. At the end of the year, there were 3 974 (3 334) people on the payroll, of whom 2 339 (2 139) worked in Finland and 1 635 (1 195) for foreign subsidiaries. During the financial year, the payroll increased by 640 people.

President

President Timo Leinilä took a leave of absence from July 1 to December 31, 2002 due to a surgery. Perlos' Board of Directors appointed Heikki Mairinoja, Board member and CEO of G.W. Sohlberg Corporation as his substitute. Timo Leinilä returned to his position as President on January 1, 2003.

Options and changes in the share capital

The A, B and C warrants (options) attached to Perlos Corporation's bond loans with warrants issued in 1997 and 1998 and the A warrants attached to the bond loan with warrants issued in 1999 have a shared listing on the Main List of Helsinki Exchanges. By the end of the review period, 1 852 440 shares had been subscribed for with the warrants attached to the 1997 bond loan, of which 445 200 shares were subscribed for during 2002. No shares were subscribed for with the warrants attached to the 1998 bond loan in 2002. By the end of the review period, 45 000 shares had been subscribed for with these warrants. No shares were subscribed for with the warrants attached to the 1999 bond loan. The company's registered share capital was EUR 31 439 451.60, or 52 399 086 shares, on December 31, 2002. The nominal value of each share is EUR 0.60.

In accordance with the resolution of the Annual General Meeting on April 11, 2002, Perlos Corporation's share capital was decreased by EUR 724 650 by annulling 1 207 750 own shares in the company's possession. The decrease of the share capital was entered in the Trade Register on April 22, 2002. The Annual General Meeting further resolved to authorise the Board of Directors to decide upon: (a) the increase of the company's share capital by a maximum of EUR 6 175 738.80, by issuing new shares, by issuing option rights or by taking out a convertible loan; (b) the acquisition of a maximum of 2 573 224 own shares of the company; and (c) the conveyance of a maximum of 2 573 224 own shares in the company's possession.

The Annual General Meeting resolved also, as proposed by the Board of Directors, to issue a maximum of 750 000 option rights to key persons in the Perlos Corporation group. Each option right entitles to subscribe to one share in Perlos Corporation with a nominal value of EUR 0.60. In accordance with the terms and conditions for the option scheme, the subscription price of the shares to be subscribed on the basis of the option rights is determined based on the market price paid for the share in Perlos Corporation on the Helsinki Exchanges, and the period for the subscription of shares commences on April 1, 2005 at the earliest and ends on April 30, 2008 at the latest.

On the basis of the authorisation granted by the Annual General Meeting of Shareholders on April 11, 2002, the Board of Directors of Perlos Corporation decided on December 11, 2002 to increase the company's share capital by EUR 293 637.60 by issuing 489 396 new shares in the company at a nominal value of EUR 0.60 per share. The new shares will give entitlement to a full dividend for the financial year 2002. Notwithstanding the shareholders' normal subscription priority, the new share issue was implemented by means of a corporate acquisition through an exchange of shares, in which Perlos acquired the entire capital stock of a Finnish company operating in the telecommunications sector. The acquired company's net sales for the financial year 2001 were approximately EUR 630 000 and its result was profitable. The acquisition strengthens Perlos' position as a comprehensive supplier in the telecommunications sector.

After the Annual General Meeting, Perlos acquired a total of 1 168 300 own shares, representing 2.2% of the company's shares outstanding. On December 31, 2002, the nominal value of the Perlos shares held by the company totalled EUR 700 980 and their purchase price totalled EUR 7 676 569.

Events after the end of the review period

In November 2002, Perlos signed a letter of intent concerning the purchase of Ace Mold Co Ltd, its subsidiaries, and Ace Plastics Co Ltd with its manufacturing operation in China. In further negotiations Perlos and the owners of the Ace companies concluded that instead of an acquisition, it would serve the interests of both parties better to reinforce their existing business co-operation. Perlos announced its withdrawal from the acquisition on January 21, 2003.

On February 10, 2003, Perlos' Board of Directors decided, according to the proposal of Perlos' management, to incorporate Perlos' Telecommunications & Electronics and Pharma customer groups. The incorporation is to be completed by the end of 2003. The operations of the Industrial & Consumer Products customer group were also integrated with the Telecommunications & Electronics customer group.

Outlook for the future

After two years of weak growth, the mobile phone market is expected to pick up somewhat in 2003. Nevertheless, the outlook for the global economy and consumption demand remains uncertain. The pharmaceuticals industry does not foresee significant market changes and sector growth is estimated at 10% annually.

Perlos' goal-oriented work towards expanding its customer base has borne fruit, and the company has obtained new customers in both the mobile phone industry and the pharmaceuticals industry. As a result of the implementation of new plants and new customer accounts, net sales for Telecommunications & Electronics customer group are expected to grow faster in 2003 than the mobile phone industry. The growth of the net sales of the Pharma customer group is expected to follow the growth rate of the industry.

Perlos has initiated a profit improvement programme to increase profitability. The first quarter in expected to be in the red, and the profitability is anticipated to improve towards the end of the year. Full-year earnings per share are expected to improve from the previous year.

The cash flow from operations is expected to be clearly in the black.

Dividend payout

The calculation of the company's distributable funds is presented in the notes to the annual accounts. The Board of Directors proposes that a dividend of EUR 0.22 be paid per share.

INCOME STATEMENT

EUR 1 000	Notes	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Net sales	2.1	364 638	431 582	231 920	255 960
Purchasing and manufacturing expenses		-309 852	-331 998	-212 102	-211 752
Gross operating margin		54 786	99 584	19 818	44 208
Sales and marketing expenses		-10 593	-6 595	-6 061	-4 472
Administration expenses		-19 039	-15 215	-9 533	-8 046
Other operating income		5 068	1 320	6 799	2 204
Other operating expenses		-6 223	-3 312	-341	-3 128
Depreciation of goodwill		-22 602	-22 602	-22 602	-22 602
Operating profit/loss	2.2, 2.3	1 397	53 180	-11 920	8 164
Share of associates' net income		-356			
Financial income and expenses	2.4	-5 535	-5 273	23 300	16 737
Profit/loss before extraordinary items, appropriations and taxes		-4 494	47 907	11 381	24 901
Appropriations	2.5			9 982	-884
Direct taxes	2.6	2 418	-8 100	-77	-721
Net profit/loss for the period		**-2 076**	**39 807**	**21 285**	**23 296**

BALANCE SHEET

Assets		Consolidated		Parent company	
EUR 1 000	Notes	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Fixed assets					
Intangible assets	3.1, 3.4	47 600	72 031	35 557	56 420
Tangible assets	3.2, 3.5	133 641	131 319	72 744	74 952
Investments	3.3, 3.6, 3.7	8 626	7 547	51 069	43 508
		189 867	**210 897**	**159 370**	**174 880**
Current assets					
Inventories	3.8	45 947	44 960	33 694	35 784
Non-current receivables	3.9	121	146	5 721	6 808
Current receivables	3.10	56 726	50 392	43 726	30 635
Liquid assets securities		15 590		15 590	
Cash and bank accounts		14 221	25 190	5 515	261
		132 605	**120 688**	**104 246**	**73 488**
Assets, total		**322 472**	**331 585**	**263 616**	**248 368**

Shareholders' equity and liabilities		Consolidated		Parent company	
EUR 1 000	Notes	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Shareholders' equity					
Share capital		31 439	31 602	31 439	31 602
Premium fund		46 349	44 829	46 349	44 829
Reserve for own shares		7 677	7 350	7 677	7 350
Profit/loss for previous financial periods		65 756	60 602	6 028	6 357
Profit/loss for the financial period		-2 076	39 807	21 285	23 296
	3.11	**149 145**	**184 190**	**112 778**	**113 434**
Appropriations	3.12			142	10 124
Provisions	3.13	896	878	896	878
Liabilities					
Deferred tax liability	3.14	1 642	6 559		
Long-term liabilities	3.15	85 909	46 643	85 375	45 960
Short-term liabilities	3.16	84 880	93 315	64 425	77 972
		172 431	**146 517**	**149 800**	**123 932**
Liabilities and shareholders' equity, total		**322 472**	**331 585**	**263 616**	**248 368**

SOURCE AND APPLICATION OF FUNDS

EUR 1 000	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Cash flow from operations				
Operating profit/loss	1 397	53 180	-11 920	8 164
Adjustments to operating profit/loss	53 620	50 831	37 442	39 457
Change in working capital	-10 403	25 865	-14 422	24 422
Interest expenses	-8 748	-6 200	-8 391	-5 887
Dividends received	56	118	28 536	21 824
Interest income	3 157	809	3 155	800
Taxes paid	-2 500	-7 823	-78	-721
Net cash flow from operations	**36 579**	**116 780**	**34 322**	**88 059**
Cash flow from investments				
Investments in subsidiaries	-1 535	-11 314	-6 143	-15 913
Investments in associated companies	-1 104		-1 104	
Acquisition of intangible and tangible assets	-38 301	-25 986	-17 987	-15 835
Sales of intangible and tangible assets	1 530	3 988	3 647	2 370
Net cash flow from investments	**-39 410**	**-33 312**	**-21 587**	**-29 378**
Cash flow before financing	**-2 831**	**83 468**	**12 735**	**58 681**
Cash flow from financing				
Loans raised	55 000	5 075	55 000	1 729
Repayments of loans	-25 278	-62 486	-25 090	-55 542
Interest bearing receivables, increase/decrease			469	5 900
Share issue	1 355	1 516	1 355	1 516
Purchases of own shares	-10 244	-7 350	-10 244	-7 350
Dividends	-13 381	-10 386	-13 381	-10 386
Net cash flow from financing	**7 452**	**-73 631**	**8 109**	**-64 133**
Liquid assets, increase/decrease	**4 621**	**9 837**	**20 844**	**-5 452**
Liquid assets, Jan. 1	25 190	15 353	261	5 713
Liquid assets, Dec. 31	**29 811**	**25 190**	**21 105**	**261**

SUPPLEMENTARY INFORMATION AND NOTES

1. PRINCIPLES FOR THE PREPARATION OF THE ANNUAL ACCOUNTS

The annual accounts have been prepared in accordance with the Finnish Accounting Act and other statutes and regulations applying to the preparation of annual accounts.

Use of estimates in the annual accounts

When annual accounts are prepared in accordance with generally accepted accounting principles, the management of the company has to make estimates and assumptions that have an effect on the reported amounts of assets and liabilities on the closing date and the amounts of revenues and expenses reported for the financial reporting period. The estimates and assumptions are made with due prudence. The final figures may deviate from these estimates.

PRINCIPLES OF VALUATION AND PERIODISATION

Valuation of fixed assets

Tangible and intangible assets have been recorded in the balance sheet at their original acquisition cost less depreciation according to plan. Depreciation according to plan has been calculated on a straight-line basis from the original acquisition cost according to the useful life of the assets.

The periods for depreciation according to plan are as follows:

	Years
Incorporation expenditure	5
Intangible rights	10
Goodwill	7
Goodwill on consolidation	5–20
Other long-term expenditure	5–10
Buildings	40
Building movable property	10
Machinery and equipment	3–10
Other tangible assets	5

Goodwill consists of high-quality technological expertise and long-term, partnership-orientated customer relationships acquired in connection with the acquisition of business activities, and which are considered to have an economic life of at least seven years. For this reason, the purchase price of goodwill is amortised on a straight-line basis over seven years.

Valuation of inventories

Inventories are presented according to the FIFO principle at acquisition cost or at the replacement cost on the closing date or the market price, whichever is lower. The value of inventories includes their share of fixed purchasing and manufacturing costs in addition to variable costs in all Group companies.

R&D expenditure

R&D expenditure has been recorded as annual expenses for the year during which the expenditure occurred.

Incorporation expenditure

The fees of external experts involved in the incorporation process have been capitalised as incorporation expenditure, which will be amortised over five years.

Recognition of net sales

When calculating net sales, indirect taxes on sales, the exchange rate differences relating to sales, and discounts are all deducted from sales revenues. Sales of goods and services are recognised as income when delivered.

Maintenance and repairs

Maintenance and repair costs are recorded as expenditure for the financial year. The leasehold improvement costs are capitalised in long-term expenditure and are amortised on a straight-line basis.

Leasing

Leasing payments are treated as rental expenditures. The Group does not have any significant financial lease agreements.

Periodisation of pension costs

Pension costs have been stated in compliance with the legislation of each country. The parent company is responsible for EUR 895 943 in pension liabilities, which are recorded under compulsory provisions.

Foreign currency denominated items

Receivables and liabilities denominated in foreign currency have been translated into euro amounts at the rate quoted by the European Central Bank on the closing date and the non-convertible currencies at the rate quoted by a commercial bank. The most important currencies are presented with the financial data. Exchange rate differences arising in the acquisition of fixed assets have been used to adjust the acquisition costs of fixed assets.

Appropriations

On the basis of local legislation and accounting practice, companies in Finland can record in appropriations items that have an effect on taxation. To be eligible for deduction, these deductions must also be made in the annual accounts. During previous financial periods, the appropriations consisted of accelerated depreciation exceeding Perlos Group's depreciation according to plan, which was to large extent reversed in the financial statements. In the consolidated annual accounts, the remaining appropriations are divided between shareholders' equity and the deferred tax liability in the balance sheet.

Income taxes

The consolidated annual accounts include those taxes which are calculated on the basis of the Group companies' financial results for the period and the local tax legislation as well as deferred taxes arising from the appropriations and timing differences between the annual accounts and taxation. In the income statement, the change in deferred tax liability is presented as deferred taxes.

PRINCIPLES FOR THE PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

Scope of the consolidated annual accounts

The consolidated annual accounts include the parent company and all the companies in which the parent company holds over half of the voting rights either due to its direct ownership stake or with its subsidiaries.

All Group companies have been included in the consolidated annual accounts: Perlos Corporation, the parent company, and its 100%-owned subsidiaries Perlos Ltd, UK., and Perlos Holding Inc., USA, Perlos (Guangzhou) Engineering Plastics Company Ltd, China, Perlos Plastics Moulding Limited Liability Company, Hungary, and Perlos Finance Holding Oy, Finland, Wild NRGS Oy Ltd, Finland, Oy Salo NRGS Ltd, Finland, C3 Suunnittelu Oy, Finland, Perlos Ltda, Brazil, Moteco AB, Sweden, and its subsidiaries, as well as Perlos (Texas), Inc., USA, an operative subsidiary which is wholly owned by Perlos Holding, Inc.

Subsidiaries acquired or established during the report year have been included into consolidated annual accounts from the date of acquisition or founding. Sold companies are included in the income statement until the date of sale.

Associated companies, in which the Group holds a considerable interest (20–50%), have been included in the consolidated financial statements using the equity method of accounting. The Group's proportionate share of the associated companies' net income for the financial year has been calculated based on Group's interest and is stated as a separate item in the consolidated income statement.

Internal shareholding

The consolidated annual accounts have been drawn up in accordance with the acquisition cost method. The difference between the price paid for the shares in subsidiaries and the shareholders' equity corresponding to the acquired holding has been recorded in goodwill on consolidation, which is amortised over 5–20 years.

Inter-company transactions and margins

Inter-company transactions, unrealised margins on inter-company deliveries, receivables and payables, and profit distribution have been eliminated in the consolidated annual accounts.

Translation differences

The income statements of overseas Corporation companies have been translated into euro amounts at the average rate for the financial period and the balance sheets have been translated at the rate at the closing date. These translation differences as well as the translation differences arising from shareholders' equity have been recorded in "Profit/loss for previous financial periods" in the consolidated annual accounts.

2. NOTES TO THE INCOME STATEMENT

EUR 1 000	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
2.1 Net sales				
Net sales by industry segment				
Telecommunications and electronics industry	313 332	383 084	186 492	210 474
Pharmaceutical industry	38 433	37 037	37 775	37 004
Industrial and consumer products	12 873	11 461	7 653	8 482
	364 638	**431 582**	**231 920**	**255 960**
Net sales by market area				
Finland	141 796	148 945	138 725	145 604
Other European countries	130 819	138 149	75 683	89 593
Americas	51 225	89 101	2 211	12 243
Other countries	40 798	55 387	15 301	8 520
	364 638	**431 582**	**231 920**	**255 960**
2.2 Personnel costs and number of personnel				
Personnel costs				
Wages and salaries	-84 689	-89 864	-57 836	-62 815
Pension costs	-10 489	-9 410	-9 307	-8 901
Other personnel costs	-10 279	-12 043	-4 814	-7 897
	-105 457	**-111 317**	**-71 957**	**-79 613**

Salaries and remunerations paid to management

The salaries and remunerations of the Group managing directors were EUR 1 113 480 (EUR 784 000 in the previous year).

The remunerations of the members of the Board were EUR 93 750 (EUR 63 000) in the Group and in the parent company.

The average number of personnel employed by the Group and the parent company was:

	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Salaried employees	890	749	601	575
Employees	2 751	2 789	1 697	1 834
	3 641	**3 538**	**2 298**	**2 409**

Pension commitments of the members of the Board and managing directors

The agreed retirement age for the managing directors of Group companies is 60 years.

2.3 Activity-based depreciation

	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Purchasing and manufacturing	-24 031	-23 564	-14 204	-14 001
Sales and marketing	-404	-471	-210	-224
Administration	-1 753	-1 432	-688	-265
Other operating depreciation	-54	-329	-54	-329
Goodwill on consolidation	-3 053	-594		
Amortisation of goodwill	-22 602	-22 601	-22 602	-22 601
	-51 897	**-48 991**	**-37 758**	**-37 420**

EUR 1 000	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
2.4 Financial income and expenses				
Dividend income				
Dividend income belonging to the same Group			28 480	21 706
From others	56	118	56	118
Dividend income, total	**56**	**118**	**28 536**	**21 824**
Other interest and financial income				
From companies belonging to the same Group			351	477
From others	3 157	809	2 804	438
Other interest and financial income, total	**3 157**	**809**	**3 155**	**915**
Interest expenses and other financial expenses				
To companies belonging to the same Group			-47	-22
To others	-8 748	-6 200	-8 344	-5 980
Interest and other financial expenses, total	**-8 748**	**-6 200**	**-8 391**	**-6 002**
Financial income and expenses, total	-5 535	-5 273	23 300	16 737
Financial income and expenses includes exchange gains and losses (net)	-1 606	-82	-1 458	36
2.5 Appropriations				
Difference between depreciation according to plan and taxation			9 982	-884
2.6 Direct taxes				
Taxes for the period				
Finnish Group companies	-77	-721	-77	-721
Overseas Group companies	-955	-6 840		
Deferred taxes				
Included in the annual accounts of Group companies				
Finnish Group companies				
Overseas Group companies	555	-283		
Taxes based on appropriations				
Finnish Group companies	2 895	-256		
Taxes, total	**2 418**	**-8 100**	**-77**	**-721**

3. NOTES TO THE BALANCE SHEET

Fixed assets and other long-term investments

Group

3.1 Intangible assets (EUR 1 000)

	Incorporation expenditure	Intangible rights	Goodwill	Group goodwill	Other long-term expenditure	Advances and purchases in progress	Total
Acquisition cost, Jan. 1	1 645	34	158 211	12 465	15 055	4 154	191 564
Translation difference		1			-789	48	-740
Increases		310		1 325	3 464	1 115	6 214
Acquired subsidiaries		14					14
Decreases and transfers					4 264	-4 202	62
Acquisition cost, Dec. 31	1 645	359	158 211	13 790	21 994	1 115	197 114
Accumulated depreciation, Jan. 1	1 590	33	113 008	1 186	3 717		119 534
Acquired subsidiaries							
Translation difference					-250		-250
Depreciation of decreases							
Other changes					1 300		1 300
Depreciation during the financial year	55	28	22 601	3 053	3 193		28 930
Accumulated depreciation, Dec. 31	1 645	61	135 609	4 239	7 960		149 514
Book value, Dec. 31		298	22 602	9 551	14 034	1 115	47 600

Other long-term expenditure consists mainly of leasehold improvements and enterprise resource planning system.

3.2 Tangible assets (EUR 1 000)

	Land	Buildings	Machinery and equip-ment	Other tangible assets	Advances and purchases in progress	Total
Acquisition cost, Jan. 1	1 061	34 072	162 479	2 410	3 563	203 585
Translation difference			-9 324	-161	-54	-9 539
Increases	6	963	13 770	131	19 028	33 898
Acquired subsidiaries						
Decreases and transfers		76	3 081		-5 916	-2 759
Acquisition cost, Dec. 31	1 067	35 111	170 006	2 380	16 621	225 185
Accumulated depreciation, Jan. 1		4 077	67 259	930		72 266
Acquired subsidiaries						
Translation difference		6	-2 870	-96		-2 960
Depreciation of decreases			-1 016			-1 016
Other changes			286			286
Depreciation during the financial year		1 086	21 367	515		22 968
Accumulated depreciation, Dec. 31		5 169	85 026	1 349		91 544
Book value, Dec. 31	1 067	29 942	84 980	1 031	16 621	133 641
Book value of production machinery and equipment						80 211

3.3 Investments (EUR 1 000)

	Own shares	Associates' shares	Other shares	Total
Acquisition cost, Jan. 1	7 349		198	7 547
Translation difference				
Increases	10 244	1 104	1	11 350
Decreases	9 916			9 916
Acquisition cost, Dec. 31	7 677	1 104	199	8 981
Share of associates' net income		-356		-356
Book value, Dec. 31	7 677	748	199	8 625

The other shares under investment assets mainly comprise 55 880 shares in Sampo Oyj, which had a book value of EUR 160 000 and a stock exchange value of EUR 405 130.

Parent company

3.4 Intangible assets (EUR 1 000)

	Incorporation expenditure	Intangible rights	Goodwill	Other long-term expenditure	Advances and purchases in progress	Total
Acquisition cost, Jan. 1	1 645	34	158 211	8 893	4 154	172 937
Increases		310		2 640	1 097	4 047
Decreases and transfers				4 369	-4 154	215
Acquisition cost, Dec. 31	1 645	344	158 211	15 902	1 097	177 199
Accumulated depreciation, Jan. 1	1 590	33	113 008	1 886		116 517
Depreciation of decreases						
Depreciation during the financial year	55	28	22 601	2 441		25 125
Accumulated depreciation, Dec. 31	1 645	61	135 609	4 327		141 642
Book value, Dec. 31		283	22 602	11 575	1 097	35 557

Other long-term expenditure consists mainly of leasehold improvements and enterprise resource planning system.

3.5 Tangible assets (EUR 1 000)

	Land	Buildings	Machinery and equipment	Other tangible assets	Advances and purchases in progress	Total
Acquisition cost, Jan. 1	679	29 700	83 921	1 539	2 889	118 728
Increases	6	727	8 849		4 358	13 940
Decreases and transfers		76	-3 263		-2 414	-5 601
Acquisition cost, Dec. 31	685	30 503	89 507	1 539	4 833	127 067
Accumulated depreciation, Jan. 1		3 484	39 642	650		43 776
Depreciation of decreases			-2 087			-2 087
Depreciation during the financial year		936	11 404	294		12 634
Accumulated depreciation, Dec. 31		4 420	48 959	944		54 323
Book value, Dec. 31	685	26 083	40 548	595	4 833	72 744
Book value of production machinery and equipment						38 604

3.6 Investments (EUR 1 000)

	Own shares	Shares in Group companies	Associates' shares	Other shares	Total
Acquisition cost, Jan. 1	7 349	35 962		197	43 508
Increases	10 244	6 127	1 104	2	17 477
Decreases	9 916				9 916
Acquisition cost, Dec. 31	7 677	42 089	1 104	199	51 069
Book value, Dec. 31	7 677	42 089	1 104	199	51 069

The other shares under investment assets mainly comprise 55 880 shares in Sampo Oyj, which had a book value of EUR 160 000 and a stock exchange value of EUR 405 130.

3.7 Group companies	Group's share 2002	Group's share 2001	Parent's share 2002	Parent's share 2001
Perlos Ltd; Washington, the UK	100%	100%	100%	100%
Perlos Holding, Inc; USA	100%	100%	100%	100%
Perlos (Texas), Inc; Fort Worth, USA	100%	100%		
Perlos Precision Plastics Moulding Limited Liability Company; Komárom, Hungary	100%	100%	100%	100%
Perlos (Guangzhou) Engineering Plastics Company Ltd.; Guangzhou, China	100%	100%	100%	100%
Perlos Finance Holding Oy, Finland	100%	100%	100%	100%
Wild NRGS Oy Ltd, Finland	100%	100%	100%	100%
Oy Salo NRGS Ltd, Finland	100%	100%	100%	100%
Moteco AB, Sweden	100%	100%	100%	100%
gigaAnt AB, Sweden	100%	100%		
gigaAnt Asia PTE Ltd, Singapore	100%	100%		
Moteco Inc, USA	100%	100%		
Moteco Telecommunication Equipment Co. Ltd, China	100%	100%		
Moteco Malaysia SDN. BHD, Malaysia	100%	100%		
Moteco Asia PTE Ltd, Singapore	100%	100%		
Perlos Ltda, Brazil	100%		100%	
C3 Suunnittelu Oy, Finland	100%		100%	
Associated companies				
Asperation Oy, Finland	50%		50%	
EPE Design Oy, Finland	50%		50%	

EUR 1 000	Group's share 2002	Group's share 2001	Parent's share 2002	Parent's share 2001
3.8 Inventories				
Materials and supplies	15 422	11 318	9 081	7 396
Semifinished products	12 309	19 306	9 735	17 405
Finished products/goods	13 645	13 062	10 848	9 694
Advances	4 571	1 274	4 030	1 289
Total	**45 947**	**44 960**	**33 694**	**35 784**
3.9 Long-term receivables				
Loan receivables from companies belonging to the same group			5 721	6 808
Other long term receivables	121	146		
3.10 Short-term receivables				
Receivables from companies belonging to the same group				
Accounts receivable			6 240	1 329
Loan receivables			2 939	2 348
			9 179	**3 677**
Receivables from others				
Accounts receivable	47 373	44 737	27 807	24 354
Other short-term receivables	4 094	1 445	2 446	749
Prepaid expenses and accrued income	5 259	4 210	4 294	1 855
	56 726	**50 392**	**34 547**	**26 958**
Short-term receivables, total	56 726	50 392	43 726	30 635

EUR 1 000	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
3.11 Shareholders' equity				
Share capital, Jan. 1	31 602	31 159	31 602	31 159
Share issue	561	443	561	443
Own shares cancelled	-724		-724	
Share capital, Dec. 31	**31 439**	**31 602**	**31 439**	**31 602**
Premium fund, Jan. 1	44 829	43 758	44 829	43 758
Share issue	796	1 071	796	1 071
Own shares cancelled	724		724	
Premium fund, Dec. 31	**46 349**	**44 829**	**46 349**	**44 829**
Reserve for own shares Jan. 1	7 350		7 350	
Increases	10 244	7 350	10 244	7 350
Decreases	-9 917		-9 917	
Reserve for own shares Dec. 31	**7 677**	**7 350**	**7 677**	**7 350**
Profit/loss from previous financial years, Jan. 1	100 409	76 210	29 653	24 093
Dividends	-13 381	-10 386	-13 381	-10 386
Transfers to reserve for own shares	-10 244	-7 350	-10 244	-7 350
Translation difference	-9 494	2 128		
Other changes	-1 534			
Profit/loss from previous financial years, Dec. 31	**65 756**	**60 602**	**6 028**	**6 357**
Profit/loss for the period	-2 076	39 807	21 285	23 296
Shareholders' equity, total	149 145	184 190	112 778	113 434

The Group has acquired 1 168 300 own shares. The nominal value of these is EUR 700 980 and book value is EUR 7 676 569.

Schedule of distributable funds, Dec. 31	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Profit/loss from previous financial years	65 756	60 602	6 028	6 357
Profit/loss for the period	-2 076	39 807	21 285	23 296
- Capitalised incorporation expenditure		-55		-55
- Share of appropriations recorded in shareholders' equity	-101	-7 188		
- Other non-distributable items	-1 096	-1 110		
	62 483	**92 056**	**27 313**	**29 598**

The Finnish Companies Act allows the parent company to distribute a dividend that does not exceed the distributable funds of the parent company or the Group, whichever is lower.

3.12 Appropriations
Appropriations of the parent company consist of the accumulated depreciation difference.

3.13 Provisions
The provisions included in the consolidated and Parent company's balance sheet consist of pension liabilities.

3.14 Deferred tax receivables and liabilities

EUR 1 000	Consolidated 2002	Consolidated 2001
Deferred tax liabilities		
From temporary differences	1 601	3 623
From appropriations	41	2 936
	1 642	**6 559**

3.15 Long-term liabilities
Loans denominated in euros accounted for 99% of loans from financial institutions at the end of 2002, and loans denominated in Hungarian forint accounted for 1%.
The average interest rate of long-term loans raised from financial institutions was 4.26%.

EUR 1 000	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Loans from financial institutions	85 909	46 643	85 375	45 960
Other long-term debts				
	85 909	**46 643**	**85 375**	**45 960**

Group's repayment schedule of long-term loans from financial institutions at December 31, 2002, EUR 1 000.

	2003	2004	2005	2006	2007
Repayment of loans from financial institutions	15 774	30 551	15 148	15 037	25 173

Repayments that will be made in 2003 have been transferred to short-term liabilities in the balance sheet. The Group does not have any long term loans which would expire later than year 2007.

	Consolidated		Parent company	
EUR 1 000	**2002**	**2001**	**2002**	**2001**
3.16 Short-term liabilities				
Loans from financial institutions	15 774	25 319	15 774	25 306
Advances received	9 026	22 566	7 546	20 900
Accounts payable	31 466	20 667	19 768	11 914
Accrued liabilities	24 573	17 259	15 254	12 358
Other short-term liabilities	4 041	7 504	4 114	5 685
Liabilities to companies belonging to the same Group				
Loans			775	750
Advances received			248	546
Accounts payable			946	513
	84 880	**93 315**	**64 425**	**77 972**

Accrued liabilities primarily consist of wages, salaries and provisions for staff social costs.

4. OTHER SUPPLEMENTARY INFORMATION

	Consolidated		Parent company	
EUR 1 000	**2002**	**2001**	**2002**	**2001**
4.1 Pledges given				
Loans for which real-estate has been mortgaged as collateral				
Loans from financial institutions	631	1 051	631	1 051
Mortgages given	2 237	2 237	2 237	2 237
Loans for which corporate mortgages have been given as collateral				
Loans from financial institutions	45 000	60 000	45 000	60 000
Mortgages given	42 047	42 047	42 047	42 047
Mortgages given as collateral, total	44 284	44 284	44 284	44 284

All pledges given are collateral for the parent company loans.

4.2 Leasing and rental commitments

The Group has rented office, factory and storage buildings for its own use. The rental agreements are fixed-term, and some can be renewed for periods of varying duration.

	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Payments to be made on leasing and rental agreements				
During the financial year now begun	5 516	6 370	2 787	3 735
To be paid later	27 790	35 203	10 957	15 159
	33 306	**41 573**	**13 744**	**18 894**

4.3 Commitments on behalf of companies in the same Group

	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Guarantees on behalf of Group companies			14 952	29 725

4.4 Commitments on behalf of other parties

	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Guarantees on behalf of other parties	1 059	2 054	1 059	2 054

4.5 Derivative contracts

	Consolidated 2002	Consolidated 2001	Parent company 2002	Parent company 2001
Foreign exchange forwards				
Nominal amount	14 169		14 169	
Fair value	-236		-236	
Foreign exchange options				
Nominal amount	7 000		7 000	
Fair value	-175		-175	
Interest rate swaps				
Nominal amount	40 000		40 000	
Fair value	-576		-576	

The fair value indicates the result that would be realised, if the derivative contracts were closed on the reporting date.

4.6 Share option programmes

At the end of year 2002, Perlos had four share option programmes. The warrants attached to Option Programmes 1 and 2 entitle the bearers to subscribe for a total of 3 750 000 new shares during the period from April 1, 2000 to April 1, 2004. The total nominal amount of new shares is EUR 2 250 000. By the end of year 2002, 1 897 440 new shares had been subscribed with the warrants, 445 200 of them during the accounting period. The share subscription price is EUR 2.24 for Option Programme 1 and EUR 4.48 for Option Programme 2. Dividens paid after the date when the price is specified are deducted from the subscription prices.

The A, B and C warrants attached to Option Programme 3 entitle the bearers to subscribe for a total of 1 100 000 new shares during the period from June 1, 2001 to 30 June 2005. The total nominal amount of new shares is EUR 660 000. By the end of year 2002, no shares had been subscribed with the warrants. The share subscription price with the A warrant is EUR 14.56, with the B warrant EUR 35.97 and with the C warrant EUR 10.10. Dividens paid after the date when the price is specified are deducted from the subscription prices.

The A, B and C warrants attached to Option Programme 4 entitle the bearers to subscribe for a total of 750 000 new shares during the period from April 1, 2005 to April 30, 2008. The nominal amount of new shares is EUR 450 000. The share subscription price with the A warrant is the trade volume weighted average price of the company's share on Helsinki Stock Exchange in August 2002 plus 14% (EUR 5.25), the share subscription price with the B warrant is the trade volume weighted average price of the company's share on Helsinki Stock Exchange in August 2003 plus 14% and the share subscription price with the C warrant is the trade volume weighted average price of the company's share on Helsinki Stock Exchange in August 2004 plus 14%. Dividens paid after the date when the price is specified are deducted from the subscription prices.

4.7 Authorisations to issue new shares, option rights and convertible bond

The Annual General Meeting of Perlos Corporation on April 11, 2002 resolved, as proposed by the Board of Directors, to authorise the Board of Directors to decide upon the increase of the Company's share capital by issuing new shares, by issuing option rights and/or by taking out a convertible bond. On the basis of the authorisation, the Company's share capital may be increased by a maximum of EUR 6 175 738.80. The authorisation shall be in force until April 11, 2003.

Vantaa, February 10, 2003

Kari O. Sohlberg Chairman of the Board of Directors	Mikael Lilius Vice Chairman of the Board of Directors
Matti Aura Member of the Board	Sten-Olof Hansén Member of the Board
Anni Vepsäläinen Member of the Board	Heikki Mairinoja Member of the Board
Timo Leinilä President	

AUDITORS' REPORT

To the shareholders of Perlos Corporation

We have audited the accounting records, the financial statements and the administration of Perlos Corporation for the financial period 1.1.2002–31.12.2002. The financial statements which include the report of the Board of Directors, the consolidated and parent company income statement, balance sheet and notes to the financial statements, have been prepared by the Board of Directors and the President. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted our audit in accordance with the 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 as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine that the members of the Board of Directors and the President as well as his debuty have legally complied with the rules of the Finnish Companies Act.

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

Vantaa, February 10, 2003

PricewaterhouseCoopers Oy, Authorised Public Accountants

Kari Lydman, Authorised Public Accountant

GROUP FINANCIAL DATA

	2002	2001	2000	1999	1998
Income statement and profitability					
Net sales, EUR million	364.6	431.6	452.3	281.5	203.0
EBITDA *), EUR million	53.3	102.2	110.4	81.7	55.6
EBITDA (% of net sales)	14.6	23.7	24.4	29.0	27.4
EBITA **), EUR million	24.0	75.8	91.3	68.8	44.9
EBITA (% of net sales)	6.6	17.6	20.2	24.5	22.1
EBIT, EUR million	1.4	53.2	68.7	46.2	18.7
EBIT (% of net sales)	0.4	12.3	15.2	16.4	9.2
Profit/loss before income taxes, EUR million	-4.5	47.9	62.3	39.2	11.6
Profit/loss before income taxes (% of net sales)	-1.2	11.1	13.8	13.9	5.7
Profit/loss for the financial period, EUR million	-2.1	39.8	43.1	25.8	8.1
Profit/loss for the financial period (% of net sales)	-0.6	9.2	9.5	9.2	4.0
Return on equity, %	-1.3	23.7	33.0	27.3	10.7
Return on investment, %	1.7	19.9	27.2	21.4	10.0
Cash flow					
Cash flow from operations, EUR million	36.6	116.8	59.7	58.0	40.2
Operational gross investment, EUR million	40.9	37.3	68.8	42.8	25.2
Operational gross investment (% of net sales)	11.2	8.6	15.2	15.2	12.4
Balance sheet and solidity					
Shareholders equity, EUR million	149.1	184.2	151.1	109.6	79.1
Provisions, EUR million	0.9	0.9	0.8	0.8	0.8
Total liabilities, EUR million	172.4	146.5	224.9	192.3	168.8
Total shareholders' equity and liabilites, EUR million	322.5	331.6	376.9	302.7	248.8
Interest-bearing liabilities, EUR million	101.7	72.0	129.4	119.7	112.6
Net debts, EUR million	71.9	46.8	114.0	101.1	93.3
Gearing	0.48	0.25	0.75	0.92	1.18
Equity ratio, %	47.6	59.6	43.3	38.9	32.5
Personnel					
Personnel, average	3 641	3 538	3 503	2 378	1 753
Personnel at the end of the period	3 974	3 334	3 860	2 925	1 961
Exhange rates					
The most important currencies (Dec. 31)	EUR	EUR	EUR	EUR	EUR
USD	1.0487	0.8813	0.9305	1.0046	1.1667
GBP	0.6505	0.6085	0.6241	0.6217	0.7055
CNY	8.6266	7.2943	7.7021	8.3175	9.6589
SEK	9.1528	9.3012	8.8313	8.5625	9.4874

*) Earnings before interest, taxation, depreciation and amortisation of goodwill.
**) Earnings before interest, taxation and amortisation of goodwill.

SHARE RELATED DATA *)

		2002	2001	2000	1999	1998
Earnings per share	EUR	-0.04	0.77	0.84	0.50	0.16
Earnings per share (diluted)	EUR	-0.04	0.73	0.79	0.47	0.15
Cash flow per share	EUR	0.71	2.25	1.16	1.13	0.79
Cash flow per share (diluted)	EUR	0.69	2.15	1.09	1.06	0.73
Shareholders' equity per share	EUR	2.76	3.55	2.91	2.14	1.55
Shareholders' equity per share (diluted)	EUR	2.69	3.40	2.76	2.00	1.44
Dividend per share	EUR	0.22	0.26	0.20	0.10	0.00
Dividend pay-out ratio	%	neg.	33.77	24.11	19.90	0.00
Effective dividend yield	%	3.66	2.23	0.91	0.29	0.00
Price/earning ratio (P/E)		neg.	15.13	26.19	69.40	
Share prices						
Lowest share price	EUR	3.92	5.60	18.70	11.20	
Highest share price	EUR	12.55	23.01	49.20	36.30	
Average share price	EUR	7.54	12.08	33.30	12.43	
Share price at the end of the period	EUR	6.01	11.65	22.00	35.00	
Trading volumes						
Number of shares	No.	32 100 915	40 422 424	40 361 867	51 365 900	
Number of shares in relation to the weighted average number of shares	%	62.3	77.8	78.3	100.5	
Number of shares						
At the end of the period	No.	51 230 786	51 758 140	51 931 765	51 220 000	51 000 000
Average during the period	No.	51 504 737	51 956 112	51 562 373	51 116 329	51 000 000
Average during the period (diluted)	No.	53 158 216	54 225 331	54 722 955	54 866 329	54 750 000
Market capitalisation at the end of the period	EUR million	308	603	1 142	1 793	

*) Share data reflects per share data adjusted for the 3:1 stock split, which took place on May 11, 1999.

FORMULAS FOR THE INDICATORS

FINANCIAL INDICATORS

EBITDA = operating profit + depreciation

Return on investment (ROI), % $= \dfrac{\text{profit before extraordinary items + interest and other financial expenses}}{\text{total assets – non-interest-bearing liabilities (average for the period)}} \times 100$

Return on equity (ROE), % $= \dfrac{\text{profit before extraordinary items – taxes}}{\text{shareholders' equity + minority interest (average for the period)}} \times 100$

Equity ratio, % $= \dfrac{\text{shareholders' equity + minority interest}}{\text{total assets – advance payments received}} \times 100$

Gearing ratio $= \dfrac{\text{interest-bearing liabilities – liquid assets}}{\text{shareholders' equity}}$

PER-SHARE INDICATORS

Earnings/share, EUR $= \dfrac{\text{profit before extraordinary items – taxes +/- minority interest}}{\text{average number of shares during the period}}$

Earnings per share, accounting for dilution, EUR $= \dfrac{\text{Profit before extraordinary items – taxes +/- minority interest}}{\text{adjusted number of shares (accounting for dilution)}}$

Equity/share, EUR $= \dfrac{\text{shareholders' equity}}{\text{number of shares at the end of the year}}$

Dividend/share, EUR $= \dfrac{\text{dividend for the period}}{\text{number of shares at the end of the year}}$

Dividend/share, % $= \dfrac{\text{dividend per share}}{\text{earnings/share}} \times 100$

Net cash flow from operations/share, EUR $= \dfrac{\text{net cash flow from operations}}{\text{average number of shares during the period}}$

Net cash flow from operations/share accounting for dilution, EUR $= \dfrac{\text{net cash flow from operations}}{\text{adjusted number of shares (accounting for dilution)}}$

Effective dividend yield, % $= \dfrac{\text{dividend/share}}{\text{share price at the end of the year}} \times 100$

P/E multiple $= \dfrac{\text{share price at the end of the year}}{\text{earnings/share (exclusive of extraordinary items)}}$

Market capitalisation = number of shares at the end of the year x share price at the end of the year

Average share price $= \dfrac{\text{total value of share turnover during the year}}{\text{number of shares traded during the period}}$

BOARD OF DIRECTORS

Chairman
Kari O. Sohlberg
b. 1940
M.Sc. (Econ.)
Chairman of the Board of Directors: ADR-Haanpää Oy, Association for Promoting Voluntary National Defense of Finland and The Finnish Fair Corporation
Member of the Board of Directors: Oy G.W. Sohlberg Ab and Varma-Sampo Mutual Pension Insurance Company

Vice Chairman
Mikael Lilius
b. 1949
M.Sc. (Eng.)
President and CEO, Fortum Corporation
Member of the Board of Directors: Ahlstrom Corporation, Huhtamäki Oyj Abp

Matti Aura
b. 1943
Master of Laws
Managing Director, Finnish Port Association
Member of the Board of Directors: Catella Property Consultants Ltd, Elisa Communications Corporation, Gummerus Oy and Harjavalta Oy

Sten-Olof Hansén
b. 1939
Ph.D (Econ. & Bus. Adm.)
Professor, Turku School of Economics and Business Administration
Chairman of the Board of Directors: Innomedica Oy, Kemira Oyj Abp, Langh Ship Oy Ab and Vetcare Oy
Member of the Board of Directors: Aboatech Oy Ab
Member of the Supervisory Board: Kaleva Mutual Insurance Company

Heikki Mairinoja
b. 1947
B.Sc. (Econ.), M.Sc. (Eng.)
President and CEO, G.W. Sohlberg Corporation
Member of the Board of Directors: Ensto Oy and Suominen Corporation

Anni Vepsäläinen
b. 1963
M.Sc. (Ind. Eng.)
Executive Vice President, Sonera Corporation
Member of the Board of Directors: Suomen Erillisverko Oy

In the back row from left: Sten-Olof Hansén, Matti Aura, President Timo Leinilä
In front: Anni Vepsäläinen, Kari O. Sohlberg, Mikael Lilius and Heikki Mairinoja

CORPORATION MANAGEMENT

Timo Leinilä
President
M.Sc. (Eng.)
b. 1950. In Perlos' employ since 1997

Kari Häyrinen
Executive Vice President, APAC Region
M.Sc., MBA
b. 1959. In Perlos' employ since 2001

Tage Johansson
Executive Vice President, CFO, Finance & Treasury
Master of Laws, eMBA
b. 1959. In Perlos' employ since 1998

Ismo Rautiainen
President, Telecommunications and Electronics
M.Sc. (Econ.), eMBA
b. 1952. In Perlos' employ since 2002

Kari Sainio
President, Pharma
M.Sc. (Econ.), M.Sc. (Tech.)
b. 1954. In Perlos' employ since 2002

Bengt Skarstam
Executive Vice President, Research & Development
Ph.D (Physics)
b. 1947. In subsidiary Moteco's employ since 2000

Juha Torniainen
Director, Group Finance & Control
M.Sc. (Econ.)
b. 1966. In Perlos' employ since 2000

Jari Varjotie
Executive Vice President, Technology & Competence Support
M.Sc. (Eng.)
b. 1960. In Perlos' employ since 2000

Harri Vartiainen
Executive Vice President, Human Resources & Administration
B.Sc. (Eng.)
b. 1947. In Perlos' employ since 1995

Jari Laaninen
Director, Group Treasury,
Secretary of the Management Board
M.Sc. (Econ.)
b. 1967. In Perlos' employ since 1999

In the back row from left: Juha Torniainen, Bengt Skarstam, Ismo Rautiainen, Kari Häyrinen **In front:** Timo Leinilä, Jari Varjotie, Jari Laaninen, Tage Johansson, Harri Vartiainen and Kari Sainio

CORPORATE GOVERNANCE

Perlos Corporation's corporate governance and administrative procedures primarily comply with the guidelines on the administration of public limited companies which were laid down by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers and published in February 1997. The statement on the review of the administration is included in the Auditors' Report on page 28.

Annual General Meeting

The Annual General Meeting is the company's highest decision-making body. Among other tasks, it annually adopts the company's income statement and balance sheet as well as decides on dividends and the election of Board members and auditors. Perlos' Annual General Meeting is convened by the company's Board of Directors. The Annual General Meeting must be held annually by the end of June. Usually, Annual General Meetings have been held in April.

Board of Directors

As specified in the Articles of Association, Perlos Corporation's Board of Directors includes six ordinary members who are elected by the Annual General Meeting. A member's term of office begins after the end of the Annual General Meeting at which he or she was elected, and continues to the end of the next Annual General Meeting. The members of the Board of Directors are presented on page 32.

The Board of Directors attends to the company's administration and sees to it that operations are organised appropriately. The Board of Directors deliberates on and takes decisions on issues that have a bearing on the Group's operations in principle and financially.

The task of Perlos Corporations's Board of Directors is to:

- decide on the Group strategy
- confirm the Group's operations plan and budget
- deliberate on and approve interim reports, the annual accounts and the Board's report
- confirm the Group's investment plan
- decide on individual investments, acquisitions or divestments and contingent liabilities that are strategically or financially significant
- approve the Group's financing policy
- confirm Group-level risk management and reporting procedures
- decide on bonus and incentive schemes for the Group's management
- decide on the Group structure and organisation
- draft the dividends policy and assume responsibility for the trend in shareholder value
- appoint the company's President and decide on his perquisites
- decide on appointing a deputy for the President and
- assume responsibility for all other such duties as have been stipulated for Boards of Directors in the Companies Act and elsewhere.

The Board of Directors convenes approximately 10 times a year and, if necessary, when called to convene by the Chairman. In 2002, the Board of Directors convened 16 times.

President

The Board of Directors elects a President for the company. The principal terms and conditions pertaining to his employment relationship are specified in writing in the President's agreement. The President attends to the operative management of the company in line with legislation as well as the instructions and mandate provided by the Board of Directors. The President is not a Board member. Timo Leinilä has served as the company's President since 1997. He is presented on page 33.

Audit

The Articles of Association specify that the company shall have one to two regular auditors. The regular auditor must be a corporation of independent public accountants that is authorised by the Central Chamber of Commerce. The regular auditor is elected at the Annual General Meeting. An auditor's term of office lasts until the end of the next Annual General Meeting.

The auditor elected by the Annual General Meeting is SVH PricewaterhouseCoopers Oy, Authorised Public Accountants, with Kari Lydman, Authorised Public Accountant, acting as chief auditor.

Insider regulations

As from March 1, 2000, Perlos has begun to comply with insider regulations that are in line with the new Guidelines for Insiders issued for listed companies by Helsinki Exchanges. In some respects, the company's own insider regulations are more detailed than Helsinki Exchanges' Guidelines for Insiders.

According to the Securities Market Act, the company's Statutory Insiders are the members of the Board of Directors, the President and the chief auditor.

In addition to the Statutory Insiders, the group of permanent insiders includes salaried employees of the Group who regularly through their work obtain insider information concerning the Group (Insiders by Definition). The Insiders by Definition in Perlos Corporation consist of the members of the Group's management board, the managing directors of subsidiaries and some of the personnel from the finance, treasury and communications units.

The updated holdings of insiders are available for inspection at the office of Finnish Central Securities Depository Ltd in Helsinki. The address is Fabianinkatu 14, ground floor (HEX Gate).

Share option programme for key employees

At the end of 2002, Perlos had four share option programmes which it granted as bond loans with warrants under the company's incentive scheme for its management and key personnel.

Perlos' extraordinary general meeting held on May 15, 1997, decided to issue the first bond loan with warrants (the 1997 bond loan), and a decision to issue the second (the 1998 bond loan), was taken on October 21, 1998. The 1997 bond loan amounts to EUR 820 757.08 and the 1998 bond loan to EUR 20 182.55. The loans were interest-free and they were repaid in one lot on June 9, 2000. The bonds carry A, B and C warrants. The warrants entitle the bearers to subscribe for a total of 3 750 000 new shares during the period from April 1, 2000 to April 1, 2004. The original share subscription price is EUR 2.24 for the first loan and EUR 4.48 for the second loan. The subscription price will be reduced annually in accordance with the dividends paid. At the end of 2002, the dividend-corrected subscription prices were EUR 1.68 and EUR 3.92.

Perlos' extraordinary general meeting held on June 3, 1999, decided to issue a bond loan with warrants directed at the company's management (the 1999 bond loan). The loan amounted to EUR 740 026.88. The loan was interest-free and was repaid in one lot on July 2, 2001. The A, B and C warrants attached to the bonds entitle the bearers to subscribe for a total of 1 100 000 new shares during the period from June 1, 2001, to June 30, 2005. The original share subscription price is EUR 14.66 for the A warrant, EUR 35.97 for the B warrant, and EUR 10.10 for the C warrant. The subscription price will be reduced annually in accordance with the dividends paid. By the end of 2002, the dividend-corrected subscription prices were EUR 14.10 for the A warrant, EUR 35.51 for the B warrant, and EUR 9.84 for the C warrant.

The Annual General Meeting on April 11, 2002 also resolved, as proposed by the Board of Directors, to issue a maximum of 750 000 option rights to key persons in the Perlos Corporation Group. The A, B and C warrants attached to the option rights entitle the bearers to subscribe for a total of 750 000 new shares during the period from April 1, 2005, to April 30, 2008. In accordance with the terms and conditions of the option programme, the subscription price of the shares to be subscribed on the basis of warrants, is the average market price of the share in Perlos Corporation weighted in accordance with the turnover at the Helsinki Exchanges in August of each year plus 14 per cent. The subscription price of the A warrant was determined as EUR 5.25 in August 2002. The subscription price for the B warrant will be determined in August 2003 and for the C warrant in August 2004. The subscription price will be reduced on the record date of each payment of dividends with the amount of dividends paid after the period of determining the subscription price and before the subscription for shares. However, the subscription price will always be at least the nominal value of the share.

At the end of 2002, a total of 67 key employees and members of the Board of Directors were covered by the share option programmes.

Management's shareholding

The members of the company's Board of Directors and the President owned a total of 92 947 shares at the end of the year 2002, representing 0.18% of the share capital and votes. As the situation stood at the end of 2002 , the members of the company's Board of Directors and the President can subscribe for a maximum of 405 000 shares in the company on the basis of the 1997 bond loan, or 0.71% of the company's shares and votes (assuming that all shares are subscribed for on the basis of the bond loans with warrants).

RISK MANAGEMENT

Perlos' risk management aims to do its part in ensuring that the company attains its business goals. Risk management supports business operations and generates added value for the managers in charge of them. Risk management is based on Perlos' key business goals and processes.

Risk identification, reporting and management are improved continuously as part of the systematic development of Perlos' functions. Risk management emphasises cost- efficient administration and the regular re-evaluation of the major risks. Risk management hinges on the documentation of Perlos' business goals and the monitoring of related changes. Steps are taken to identify risks that threaten to undermine the objectives, and such risks are monitored and gauged continuously. Perlos regularly carries out audits focusing on accident prevention in its production facilities with the help of external experts.

Management of financial risks

In the case of financial risks, Perlos strives to limit known risks primarily by way of its business operations. The remaining risks are hedged in line with the policy approved by the Board of Directors.

Perlos has made efforts to restrict its funding related refinancing risks by staggering the repayment of its non-current loan portfolio into different maturities. The syndicated loan worth EUR 75 million made in 1999 and the syndicated five-year loans worth EUR 55 million made in 2002 form the bulk of Perlos' non-current loans. The annual amortisation of the non-current loans will amount to EUR 15–30 million over the next five years. For an eventual need of additional funding, Perlos has at its disposal committed credit facilities amounting to EUR 134 million and a domestic commercial paper programme worth EUR 100 million.

The optimisation of net financial expenses is emphasised in the management of interest rate risks. Hedging actions are based on an analysis of the development of the global economy and its anticipated effect on interest rates and the company's earnings performance. The key risk benchmark is the average reset period of the interest rates of the loan portfolio, which was 19 months at the end of 2002.

Perlos primarily manages its foreign exchange exposure by way of its business operations. The procurement of production inputs and sales of products are primarily carried out in the local currencies of the Group companies. Exceptions are the components obtained from Japanese suppliers, where the Japanese Yen is the agreed currency of purchase. Perlos primarily uses currency forwards in the hedging of its currency position. Funding is mainly performed in the home currency. At the turn of the year, almost all of the Group's current and non-current interest-bearing loans were denominated in the euro.

INFORMATION ON PERLOS' SHARES AND SHAREHOLDERS

General

The company is a public limited company as defined in Finnish legislation. The company was registered in the Trade Register, which is maintained by the National Board of Patents and Registration of Finland, on October 22, 1996.

Shares and share capital

Perlos Corporation's shares are quoted on the Main List of Helsinki Exchanges (POS1V) and they are entered in the book-entry system maintained by Finnish Central Securities Depository Ltd. The round-lot of Perlos' shares is 50 shares.

According to the Articles of Association, the company's minimum share capital shall be EUR 30 600 000 and its maximum share capital EUR 122 400 000, within which limits the share capital may be increased or decreased without amending the Articles of Association. The company's registered share capital was EUR 31 439 451.60 or 52 399 086 shares, on December 31, 2002. Each share has a nominal value of EUR 0.60. Each share entitles the bearer to one vote at a general meeting of shareholders. All shares entitle the bearer to a dividend for the financial period that began on January 1, 2002.

Quotation, share price trend and share turnover

The share price was EUR 6.01 at the end of the year, or 48% lower than at the end of 2001. The highest price of the company's share in trading was EUR 12.55 and the lowest was EUR 3.92. During the financial year, the turnover of Perlos' shares on Helsinki Exchanges amounted to EUR 241.9 million and 32.1 million shares, which represents 62% of the shares outstanding. The company's market capitalisation on the last day of the year, as calculated from the closing quotation of EUR 6.01, was EUR 314.95 million.

Options and changes in the share capital

The A warrants and B warrants (options) attached to Perlos Corporation's bond loans with warrants issued in 1997 and 1998 have a shared listing on the Main List of Helsinki Exchanges. By the end of the financial year, 1 852 440 shares had been subscribed for with the A warrants attached to the 1997 bond loan, of which 445 200 shares were subscribed for during 2002. As a result of these subscriptions, Perlos' share capital rose by a total of EUR 267 120 during the financial year. No shares were subscribed for with the A warrants attached to the 1998 bond loan in 2002. By the end of the review period, 45 000 shares had been subscribed for with these warrants. No shares were subscribed for with the warrants attached to the 1999 bond loan.

	Recorded in the trade register	Number of shares	Change in the share capital, EUR
*	April 22, 2002	-1 207 750	-724 650
**	May 7, 2002	80 850	48 510
**	June 19, 2002	88 500	53 100
**	August 5, 2002	1 800	1 080
**	September 17, 2002	2 100	1 260
**	December 9, 2002	271 950	163 170
***	December 13, 2002	489 396	293 637
	Total	**-273 154**	**-163 893**

* In accordance with the resolution of the Annual General Meeting on April 11, 2002, Perlos Corporation's share capital was decreased by EUR 724 650 by annulling 1 207 750 own shares in the company's possession. The decrease of the share capital was entered in the Trade Register on April 22, 2002.

** Shares subscribed for with the warrants attached to Perlos Corporation's 1997 bond loan with warrants.

*** On the basis of the authorisation granted by the Annual General Meeting of Shareholders on April 11, 2002, the Board of Directors of Perlos Corporation decided on December 11, 2002 to increase the company's share capital by EUR 293 637.60 by issuing 489 396 new shares in the company at a nominal value of EUR 0.60 per share. The new shares will give entitlement to a full dividend for the financial year 2002. Notwithstanding the shareholders' normal subscription priority, the new share issue was implemented by means of a corporate acquisition through an exchange of shares, in which Perlos acquired the entire capital stock of a Finnish company operating in the telecommunications sector. The increase of the share capital was entered in the Trade Register on December 13, 2002.

Composition of the Board of Directors and the Auditor

At Perlos Corporation's Annual General Meeting on April 11, 2002, Matti Aura, Sten-Olof Hansén, Mikael Lilius, Heikki Mairinoja, Kari O. Sohlberg and Anni Vepsäläinen were elected as members of the Board of Directors. Jan Ståhlberg retired from the Board. Kari O. Sohlberg was elected as chairman of the Board. Mikael Lilius was elected vice chairman of the Board at the meeting of the Board held after the Annual General Meeting.

PricewaterhouseCoopers Oy, Authorised Public Accountants, was elected as the company's auditor, with Kari Lydman, Authorised Public Accountant, as chief auditor.

Largest shareholders as of December 31, 2002

	Number of shares and votes	% of shares and votes
1. Oy G.W.Sohlberg Ab	19 370 000	36.97
2. Foreign Shareholders	8 663 711	16.53
3. Varma-Sampo Mutual Pension Insurance Company	1 230 674	2.35
4. Perlos Corporation	1 168 300	2.23
5. Finnish Government Pension Fund	900 000	1.72
6. Sohlberg P and S foundation	491 250	0.94
7. The Local Government Pensions Institution	453 000	0.86
8. Tapiola Mutual Pension Insurance Company	406 400	0.78
9. Tapiola Mutual Insurance Company	385 000	0.73
10. Suomi Mutual Life Insurance Company	380 000	0.73
11. Ilmarinen Mutual Pension Insurance Company	353 080	0.67
12. FIM Forte Investment Fund	345 800	0.66
13. Nordea Nordic Small Cap Investment Fund	321 170	0.61
14. Sampo Life Insurance Company Limited	310 100	0.59
15. Gyllenberg Finlandia Investment Fund	300 000	0.57
16. Finnish National Fund for Research and Development	287 965	0.55
17. Kaleva Mutual Insurance Company	287 480	0.55
18. Nordea Life Assurance Finland	274 450	0.52
19. Alfred Berg Finland Investment Fund	256 970	0.49
20. OP-Delta Investment Fund	242 900	0.46
Total	36 428 250	69.52
Other shareholders	15 970 836	30.48
Total number of shares	**52 399 086**	**100.00**

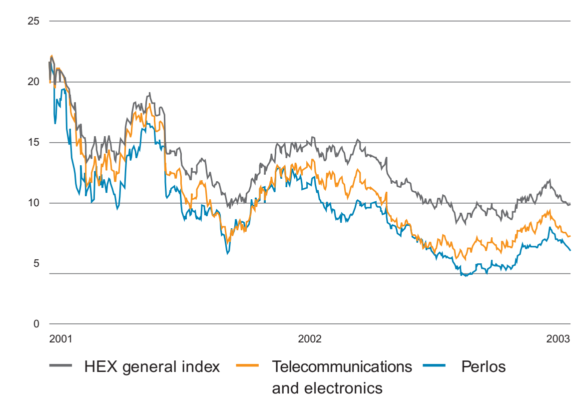
Shareholders by group as of December 31, 2002

	number of shares and votes	% of shares and votes
Companies	23 197 454	44.27
Financial and insurance institutions	7 297 485	13.93
Public sector organisations	5 245 990	10.01
Non-profit organisations	2 093 286	3.99
Households	5 901 160	11.26
Foreign shareholders	8 663 711	16.53
Total	**52 399 086**	**100.00**

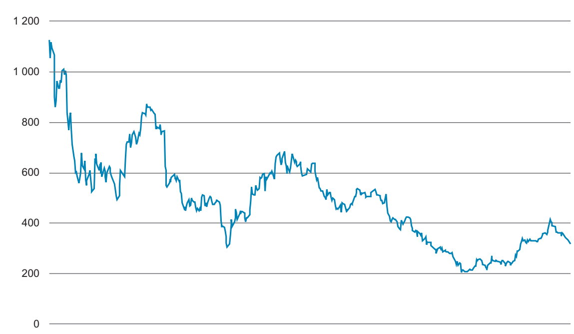
Breakdown of share ownership as of December 31, 2002

Number of Shares	Number of shareholders	% of shareholders	Number of shares and votes	% of shares and votes
1–100	5 015	37.03	355 993	0.68
101–500	5 596	41.30	1 501 190	2.86
501–5 000	2 595	19.15	3 606 572	6.88
5 001–100 000	291	2.15	6 576 811	12.55
100 001–500 000	45	0.33	9 735 477	18.58
500 001–	6	0.04	30 623 043	58.45
Total	**13 548**	**100.00**	**52 399 086**	**100.00**

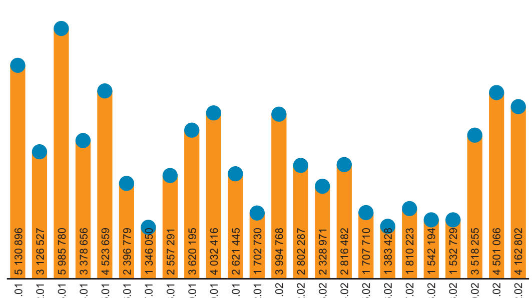
Perlos' share performance and relative indices of reference, EUR



Perlos' market capitalisation, EUR million



Perlos' share turnover, number of shares



Source: Helsinki Exchanges

BROKERS MONITORING PERLOS

The brokerage firms listed below actively monitor Perlos Corporation as an investment. Perlos Corporation can not be held responsible for the ratings or recommendations published by them.

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FINANCIAL INFORMATION IN 2003

Interim reports

Interim report, January–March	published on April 29, 2003
Interim report, January–June	published on July 31, 2003
Interim report, January–September	published on October 28, 2003

Interim reports and stock exchange releases are published in Finnish and in English on Perlos online at www.perlos.com.

Annual General Meeting

Perlos Corporation's Annual General Meeting will be held on Monday, April 14, 2003, from 17:00 onwards in hall A of the Finlandia Hall in Helsinki.
The address is Mannerheimintie 13 e.

Shareholders who have been registered by April 4, 2003, at the latest in the company's Shareholder List, which is kept by Finnish Central Securities Depository Ltd., have the right to attend the Annual General Meeting.

We request participants to register by 12:00 on April 10, 2003, at the latest by notifying us at: Perlos Corporation, Anne Inberg, P.O. Box 178, FIN-01511 Vantaa, tel. +358 9 2500 7255, fax +358 9 2500 7276, or email: agm2003@perlos.com.
We request that any proxies be sent to the company's address provided above before the registration deadline.

Dividend

The Board of Directors will propose to the Annual General Meeting that the dividend to be paid for the 2002 financial year be EUR 0.22 per share. The dividend will be paid to shareholders who are registered, on the record date of April 17, 2003, in the company's Shareholder List, which is kept by Finnish Central Securities Depository Ltd. The Board of Directors will propose to the Annual General Meeting that the dividend be paid on April 28, 2003.

Changes of address

Shareholders are kindly requested to inform the custodian of their book-entry account of any changes in address.

Investor relations

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