TECNOMEN

ANNUAL REPORT

2002

Tecnomen in brief

Tecnomen develops and supplies value-added service systems for teleoperators and service providers. The company is one of the world's leading suppliers of messaging systems. Tecnomen has a strong position in selected market areas in prepaid systems and intelligent network products. The company is also the leading supplier of paging systems.

Tecnomen markets its products and services through its own worldwide organisation and through global and local partners. The company operates in 10 locations worldwide and has supplied its products to customers in more than 40 countries.

In 2002 Tecnomen had net sales of EUR 39.9 million. The company employed 457 people at the end of 2002.

Tecnomen is 25 years old

In 2003, Tecnomen celebrates its 25th anniversary. Tecnomen has a long history as a supplier of telecommunications systems. The company started its operations on a customer-oriented basis, supplying automation systems to industry. The company rapidly expanded into equipment and systems for telephone networks. Today Tecnomen supplies customised systems to telecommunications operators and service providers worldwide.

TECNOMEN 1978–2003

25 years

Contents

In this annual report you will see how messaging services help Maria and Erik manage their communications in their work and private lives.

They are married with two children.

Maria
Maria is managing director of a small, innovative ad agency. Her job involves all sorts of work and her days are very full.

Erik
Erik is sales manager at a large international company and travels extensively.

Mission, vision, values and strategy

Mission

Tecnomen helps teleoperators and service providers create and provide innovative and competitive value-added services, enabling them to continuously improve and diversify their services to end users.

Vision

Tecnomen is the supplier of value-added service systems with the best reputation. The company is known for supplying systems that best meet the evolving needs of different end-user segments. The company grows faster than the average rate of growth in the market.

Values

The core values guiding Tecnomen's operations are

- Open, honest cooperation
- Focusing on the right matters to achieve results
- Continuous development of skills and personal growth

The company's values guide Tecnomen employees in their relationships with customers, partners, subcontractors and other interest groups. They also form the foundation for work within the organisation.

Strategy

Tecnomen supplies total systems to telecommunications operators worldwide. The messaging services provided by the company are built on the Tecnomen eZONER system platform. Tecnomen operates at present in five focused business areas that support each other. Long-term, open cooperation and partnership with carefully selected customers is a key element of Tecnomen's operations.

Customer strategy

Tecnomen focuses its efforts on carefully-selected operators and service providers that are large or medium-sized in their own region, to which it can supply messaging and intelligent network systems.

Tecnomen operates globally. It markets systems through its own worldwide organisation and through global and local partners. The company has global partnership agreements for marketing its products with Siemens, Nokia and Nortel Networks, which sell Tecnomen's solutions as part of their own deliveries.

Tecnomen's goal is to stand out from its competitors through its outstanding customer satisfaction. The company achieves this through anticipating customer needs, good customer service and a solid investment in developing products and business operations. Tecnomen holds joint seminars and team meetings with customers to increase its understanding of customer needs and bring Tecnomen's operations more in line with their wishes.

During 2002 Tecnomen developed a key account operating model that extends throughout the organisation. This helps to maintain and increase satisfaction among key customers. Long-term open cooperation and partnership with customers is part of this operating method.

Tecnomen wishes to fulfil the needs of its customers and achieve its business objectives as well as possible. Clear, effective process management throughout the company is a major precondition for meeting customer requirements, remaining on schedule and achieving results.

Business areas

Tecnomen operates in business areas that have synergy and so reinforce each other, areas in which it can achieve a major market position globally or regionally. Tecnomen is continually reviewing the strategies for each business area. Extensive specialisation in carefully chosen business areas helps the company retain its competitive edge in a rapidly changing environment.

Tecnomen's five strategic business areas are

Messaging Solutions

1. Voice Services and Unified Messaging Systems
2. Multimedia Messaging Systems

Intelligent Network Systems

3. Prepaid Systems
4. Intelligent Peripherals (intelligent network products)

Paging systems

5. Paging Systems

Tecnomen is one of the leading suppliers of messaging systems globally, in voice mail, unified messaging and multimedia messaging. The company's market areas are divided operationally into Europe, East and South-East Asia, Latin America, and Middle East and Africa.

Tecnomen has established itself as the market leader in prepaid systems in certain Latin American countries. It also aims to build up its market position in other geographical areas while developing new applications for prepaid systems. Intelligent Peripherals are sold through selected global partners as part of their total system deliveries.

In paging systems Tecnomen focuses on public authority systems in Europe and the Middle East. The company is the market leader in this sector.

CEO's review

At the start of 2002, companies in this sector without exception made forecasts for the year that differed from the way things actually turned out. Investments by teleoperators especially in value-added service systems dropped sharply, even though the end customer market for messaging services continued to grow. This was the consequence of earlier miscalculations and over-investment in the sector, the most obvious of these being the expensive 3G network licences. The mistakes made in forecasting developments have sometimes resulted in unreasonably large problems in readjusting, and have slowed down even very justifiable long-term development work in our sector. On the other hand, a recession has also helped put the sector back on a healthy footing, forcing companies to focus on the essentials and improve the efficiency of their operations on the basis of realistic estimates.

Tecnomen reinforced its position in an uncertain market

Tecnomen's sales were in line with our long-term goal, outperforming general market trends and the sales of our main competitors. We even expanded our customer base more than in previous years. However, in a rapidly shrinking market Tecnomen's net sales fell considerably. We were no better at forecasting the fall in the market than other companies in the sector. As net sales fell, our result was also clearly negative. The reductions and other streamlining action taken will largely not start to have an impact until 2003.

Tecnomen won new customers for its voice mail, unified messaging, multimedia and prepaid systems. As operators postponed their purchasing decisions, sales of messaging systems in particular declined in Asia and Europe. All existing customers continued their long-term cooperation with us. Among our global partners, operations developed particularly well with Siemens. We saw the first deliveries as the result of our partnership with Nortel Networks.

Multimedia messaging systems still did not bring any significant increase in net sales, but laid the foundation for growth in sales in the coming years, when multimedia services are expected to be more widely adopted. By contrast, sales of multimedia systems had a positive impact in 2002 on sales of the Tecnomen eZONER service platform in voice mail and unified messaging systems. Customers consider it important for them to have a single supplier for these closely related system products.

The systems we supply are constantly growing in size and complexity, so the product development expenditure and the proportion of software in them is also growing. This being the case, when net sales start to pick up again, the result can also improve quickly. Despite the decline in the market, Tecnomen continued to invest heavily in R&D.

Customer strategy and strong focus on core expertise give competitive edge

During 2002 we channelled our work at Tecnomen more specifically at improving customer satisfaction and made clear choices in our customer strategy. Our customers expect our products to serve the needs of segmented end user markets. Partnership with operators is our most important means for building lasting customer satisfaction.

The messaging and prepaid systems we sell are larger than they used to be. This is due to the growth in the number of our customers' subscribers, the trend of consolidation, and new customers. In multimedia messaging systems we are focusing on medium-sized operators. Despite the tougher competition, we experienced no appreciable decline in our margins.

Organisational model developed with flatter hierarchy

During the past year we initiated a key account operating model throughout the organisation, based on the principles of process management. This model will be fully operational during 2003.

We reduced the hierarchy in our organisation, revised team structures, combined the tasks of managers, and merged sales and customer service units. We analysed our core competences, assessed our development projects and terminated low priority projects. The voice mail and unified messaging units were merged. In products for mobile Internet applications we focused on partnership with other companies.

Tecnomen 25 years old

This year Tecnomen is celebrating 25 years of operations. That is a considerable age in our field. Tecnomen's innovation, strong technical expertise in its field, and open corporate culture that stresses both responsibility and freedom, have grown during this time to become a genuine competitive edge. Long-term customer relations with more than 60 teleoperators lay the foundation for a healthy net sales performance. The increasingly challenging state of the market, coupled with our extensive experience in the sector, makes us operate as effectively as possible, even when planning new business models.

Strong cash funds to ensure growth towards good profitability

Growth continues in messaging services, but the costs of data transmission are still falling. Competition between operators and between their suppliers is getting tougher, and new technology is being developed. The focus for growth is moving to applications and systems, since they become attractive as prices for data transmission fall and the technology develops. End customer applications and customer bases are becoming increasingly segmented. Operators will continue to introduce third generation networks and multimedia messaging, although it is difficult to predict the speed for this. Service providers remain cautious in moving into new business models.

Tecnomen has recently taken steps that have made it stronger. Our customer base has grown, the performance and quality of our systems have improved, and our organisation has become more efficient. Our balance sheet has remained extremely strong.

In the current year one of our goals is to build up our liquid funds safely. We can then reserve funds for building future growth. We are now monitoring and analysing market trends more systematically. Tecnomen is equipped to carry out the changes in its strategy required by market developments and so to ensure that our financial and intellectual capital is channelled productively.

I would like to thank in particular our personnel, who have worked under the pressure caused by rapid changes in the market and have managed to see which development projects are necessary and carry them out. I would also like to thank our customers, partners and shareholders for this year that we have gone through together.

Vesa Helkkula
President and CEO

Business units

Tecnomen's business units are organised by business area. A common global sales and customer service organisation looks after sales and project deliveries.

The services offered by the business areas are based to a large extent on the same, scaleable Tecnomen eZONER service platform which consists of software and equipment designed by Tecnomen, and third-party equipment.

In its products Tecnomen utilises well-known, standardised technology and interfaces to speed up its R&D, to ensure its solutions function properly and to be able to integrate third-party applications in its products. Tecnomen utilises third-party products within the solutions it provides where this is technically and financially justified. The products and services provided by Tecnomen can be integrated with each other to offer new forms of communication.

Messaging Solutions
Voice services and unified messaging systems
Multimedia messaging systems

Intelligent Networks Systems
Prepaid systems
Intelligent Peripheral products

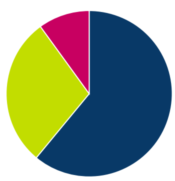
Paging Systems

COMDEX 2002 IN LAS VEGAS
18–21 NOVEMBER 2002

Multimedia vendors had a joint presentation suite at COMDEX, FALL in Las Vegas to demonstrate the interoperability of multimedia messaging services (MMS). The initiative by major and small specialised suppliers aimed to confirm the interoperability of MMS through different servers and handsets. The MMSC and handset suppliers included Matsushita (Panasonic), Microsoft, Motorola, Nokia, Sony Ericsson and Teleca; Tecnomen supplied its multimedia messaging service centre (MMSC).

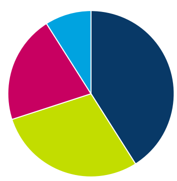
The actual purpose of the demonstration was to show that MMS applications function in a multi-vendor environment and that companies share a common desire to create seamless multimedia messaging. All of the participating companies are members of the Open Mobile Alliance (OMA) and are committed to the MMS specifications created by OMA.

Net sales by product group



61% Messaging Solutions
29% Intelligent Network Systems
10% Paging Systems

Net sales by region



41% Europe
29% Latin America
21% Middle East and Africa
9% East and South-East Asia

Messaging Solutions

The Messaging Solutions unit contains two closely related business areas. The unit continuously produces some of the most advanced technology on the market for the needs of the future. With the messaging solutions provided by Tecnomen, operators and service providers can build messaging service packages to meet their own requirements and then offer their end customers the advanced added-value services they need.

The Messaging Solutions unit is divided into two business areas:
1) Voice services and unified messaging systems
2) Multimedia messaging systems

The messaging services provided by the Messaging Solutions unit are built on the modular Tecnomen eZONER service platform that can be scaled up to form extremely large systems. Operators and service providers can choose a tailored service package from the service platform that is suitable for their own customer segment, and can add services as users' requirements evolve.

Unified messaging and voice service systems

Unified messaging combines voice mail, wireless e-mail and fax in a single personal mailbox. Users can choose the way in which they process their messages: via the Internet, with a WAP browser, using SMS messages or by voice. The unified messaging mailbox changes the messages into different formats as necessary; e-mail to voice, SMS to fax, or even a voice mail message so that it can be listened to over the Internet. Unified messaging services are of particular benefit to employees of small and medium size companies who travel extensively, whereas voice services are widely used by all user groups.

The various voice services are:
- Voice mail and fax services: use of voice mail and fax services anywhere, any time
- E-Mail Reader: listening to e-mail messages over the phone
- Greeting Centre: choice of spoken greetings and many options for managing them
- Voice Portal: voice control for all sorts of wireless services

The voice services provided by Tecnomen give operators more opportunities to increase the volume of net sales generated by their customers. Some of the latest features are Missed Call Notice and Greet and Route Service. Missed Call Notice informs users about all calls to their answering device where the caller has not left a message. With the new Greet and Route Service in the Greeting Centre, users can choose different greetings and call transfer rules for different callers.

Multimedia messaging systems

Users of Tecnomen's multimedia messaging services can send, receive and manage text, voice, picture and video images with a wireless connection. The wider range of messaging options and the increased messaging potential they offer form a great opportunity for operators. Tecnomen offers an MMS solution that can be built up gradually, can be introduced immediately, and functions in several commercial applications. Operators only need to make a small initial investment, but they have a guaranteed growth track to large-sized, multi-feature systems.

- A comprehensive messaging solution that combines voice services, unified messaging and multimedia messaging
- Risk-free growth path with controlled costs towards 3G – safeguards next generation messaging activities
- Modular service structure so that operators and service providers can target their services at specific subscriber groups – increases customer loyalty and so raises average net sales per customer

For a long time, Tecnomen has worked closely with handset vendors and standards development organisations (such as MMS IOP Group) to ensure the interoperability of multimedia messaging systems and handsets.

Competitive position

Tecnomen is one of the leading suppliers of voice mail systems in the world and a pioneer in the development of unified messaging systems. Tecnomen has established a strong position in the market for multimedia messaging centres among medium sized operators and is one of the major players in the market. The company's independence of different network suppliers and handset vendors and long-term knowledge of the messaging market have helped Tecnomen achieve its strong position. Tecnomen is committed to open standards and to partnership with many of the biggest market players. Next generation IP messaging systems are the next stage in Tecnomen's development path.

INTELLIGENT CALLBACK

Erik has two tickets for tonight's theatre performance. He calls Maria to see if she can go but gets her voice mail. He leaves her a message to call him back as soon as possible. Using her hands-free, Maria listens to Erik's message in her car en route to a meeting. Without ending her voice mail session, she uses a simple voice command to call Erik and let him know she's available. When he hangs up, she returns automatically to her voice mail session to deal with the rest of her messages.

Intelligent Network Systems

The Intelligent Network (IN) Systems unit mainly focuses on developing and supplying prepaid systems, but its product range includes other separate intelligent network components. Tecnomen offers operators and service providers new earning opportunities in the prepaid system market of the future. The IN unit responds to the challenges of today and tomorrow, as service requirements grow and standards constantly rise.

The systems provided by the IN unit offer a direct prepaid service with various safe and cost-effective ways to provide prepaid call time. Users of a prepaid service can recharge their accounts with an easy to use voucher system, with a credit card or at an ATM. Users can receive a message informing them when their account is running low and needs to be recharged.

The prepaid and other intelligent network systems are in part based on the modular Tecnomen eZONER service platform. The systems have numerous features that can be grouped for and targeted at different groups, so operators can take into account the needs of different market segments. Using these system features, operators can increase customer loyalty which forms the basis for a successful service strategy for the future.

Customer-oriented

The prepaid and other intelligent network systems are built around a platform in accordance with international standards that enables operators to produce specialised services quickly, flexibly and cost-effectively in a decentralised system. The service can be supplied so that it has very little impact on the existing network infrastructure. The modular design makes the platform reliable, stable and scaleable. It can be modified in accordance with the customer's wishes and expanded as requirements change. The modular format ensures that Tecnomen's service can also be used simultaneously in all current network technologies (GSM, TDMA, CDMA).

New ways to pay

The combination of GPRS and prepaid systems forms the basis for the next generation of services. It creates new opportunities to generate revenue and ensures that a company stands out in the market. Tecnomen's dynamic, multi-faceted and scaleable architecture provides a breakthrough into wider-based systems. Operators can expand their capacity and form extremely large systems as their customer base grows.

The IN unit offers an advanced wireless data solution that can be easily integrated with an existing network. It also includes a flexible pricing and billing function, so that operators can use different criteria to invoice subscribers such as the amount of data transmitted, the location, use of services and contents.

Competitive position

The main market area for Tecnomen's prepaid systems is Latin America. In Brazil Tecnomen is the market leader. Tecnomen's systems are also used in other parts of the world such as Asia and Africa. Tecnomen has a partnership strategy which is opening up new and growing market areas. Tecnomen's strengths in the prepaid market lie in its systematic development of products and services and its understanding of customer needs.

Paging Systems

The strategy of the Paging Systems business unit is to focus on supplying paging systems for use by public authorities. As security becomes an increasingly important issue, PMR (professional mobile radio) systems must be able to respond to constantly growing demands and must function completely reliably.

Tecnomen's paging system provides extensive, nationwide coverage with hundreds of base stations. It can have hundreds of thousands of users. The systems have large capacities and conform to all the main standards. With the paging system, Tecnomen's customers can offer low cost basic services for alerting the police, fire and other emergency and social services.

The Tecnomen paging system provides a secure option for reliable professional communications, either as a standalone system or integrated into an existing PMR system. The systems form a useful way to extend the services provided by TETRA public authority networks.

Tecnomen is developing its services by combining the features of fixed, wireless and data networks and linking voice, fax and e-mail services to its paging system. Tecnomen's extensive experience ensures that its customers continuously obtain excellent technical and commercial support for their system and assistance in developing their business.

Competitive position

Tecnomen has a strong position as a supplier of paging systems and has no major competitors in its market segment. Tecnomen's strength lies in its years of experience, wide range of services and expertise covering the entire paging system delivery. The main market areas for Tecnomen's paging systems are the Middle East and Europe.

***GREET AND ROUTE SERVICE** – flexibility for personal greetings*

Tonight's theatre performance is Maria's and Erik's first night out together in quite a while. Before they leave for the theatre, they programme their voice mail services to handle all incoming calls appropriately. For example, Erik is expecting a call from a key client tonight. He's created a special greeting for him and then set the call to reroute to his colleague. Maria and Erik turn off their phones so they can enjoy an uninterrupted evening out.

Customer partnership

Tecnomen's key goal is to stand out from the competition by having the highest level of customer satisfaction. Tecnomen understands customer needs. The key to Tecnomen's success as a supplier of value-added service systems has been long-term, open cooperation and partnership with customers.

Tecnomen markets its products and services through its own worldwide organisation and through global and local partners. Tecnomen has a strong customer service organisation that maintains systems and provides support for customers worldwide.

Tecnomen's customers are mobile operators around the world, in total some 60 operators. Each project is of major significance and for that reason it is extremely important to work effectively together in system deliveries. Understanding the customer's concerns and offering excellent customer service have to be a reality, not just empty promises. Regular surveys of customer satisfaction, utilising various channels, are part of this.

During 2002 Tecnomen developed tools for managing customer information and customer relations, aiming to work more closely with operators in creating ideas for services and defining them. One goal is to increase the use of various teams in defining the services of the future. By obtaining a better understanding of the customer's business, Tecnomen wishes to further improve its customer service and boost the work motivation of its own personnel.

The company's market areas are divided operationally into Europe, East and South-East Asia, Latin America, and Middle East and Africa. Each area is responsible for sales and customer service operations in specified countries.

MISSED CALL NOTICE

– you always know who tried to call and when

During intermission, Maria checks her voice mail messages. She got three calls from her best friend Anne who hung up without leaving a message. Her operator's Missed Call Notice service notifies her of all incoming calls, even when her phone is turned off, letting her know who called, when and how many times.

Europe

Tecnomen focused on improving the competitive standing of its existing customers in Europe, developing and offering them new messaging services. The company supplied multimedia messaging centres (MMSC) in Finland to Radiolinja and the GSM/GPRS network operator Suomen 2G, and to the Austrian company tele.ring Telekom Service. Expansions for messaging systems were supplied to Swisscom Mobile in Switzerland, Telenor in Norway, TDC Mobil in Denmark and Omnitel in Lithuania. Tecnomen supplied a new unified messaging system to Vodafone Ireland.

East and South-East Asia

As sales declined and uncertainty increased, in Eastern and South-East Asia Tecnomen focused its activities on the areas served by its offices in Malaysia and Taiwan, in particular on Malaysia, Indonesia and Taiwan. A messaging system expansion and a trial MMSC system were supplied in Indonesia.

INDOSAT IM3

Indosat IM3, which started operations in September 2001, is the newest mobile network operator in Indonesia (GSM-1800). IM3 targets its services primarily at younger users. As its popularity has grown, IM3's customer base has risen to almost half a million.

During 2002 unified messaging functions were added to the voice mail system supplied by Tecnomen. This expansion ensures sufficient capacity and quality for IM3's voice mail system in a rapidly growing market. In May at the IITELMIT trade exhibition, IM3 became the first operator in Indonesia to present multimedia messaging in its own network using the Tecnomen MMSC. In August IM3 started to offer multimedia messaging services to all its customers – again it was the first operator to do so in Indonesia.

Christian Rönnblad
Director, Tecnomen South-East Asia

"Cooperation with IM3 has been smooth and successful right from the start. We have managed to answer the challenges set by IM3. IM3 is a young operator that wants to be first in offering its customers the latest services in its field. By choosing Tecnomen as its suppler, the company has demonstrated its confidence in Tecnomen's ability to supply cutting edge technology."

SWISSCOM MOBILE

Swisscom Mobile and Tecnomen have been working together for more than ten years to provide comprehensive wireless messaging services for consumers in Switzerland. Tecnomen helped Swisscom Mobile enlarge its customer base by expanding its COMBOX messaging system and providing a platform for future services in October 2002.

Swisscom Mobile's COMBOX system is an advanced answering service that combines voice and fax mail in a single mailbox. End-users can listen to their voice mail, read faxes and manage their messages via the Internet. End-users can also choose from several notification methods.

Latin America

Tecnomen obtained new orders from existing and new customers in Latin America. It supplied the first unified messaging service in the region to Telemig Celular, a leading Brazilian operator, and a multimedia messaging centre (MMSC) for testing purposes to France Telecom Dominicana, which is the Orange operator in the Dominican Republic. A messaging system expansion was supplied to the Venezuelan Digitel C.A, part of the TIM Group.

More than 80 per cent of the customers of Latin American operators belong to prepaid systems. Deliveries of these systems have in fact become the most important product in Tecnomen's Latin American operations. Tecnomen signed agreements to supply new prepaid systems to Conecel in Ecuador, PCS Digital in Guatemala and Nicaragua, and Telgua in Guatemala. These three mobile operators belong to the América Móvil Group.

Middle East, Africa

Tecnomen focused on selected mobile operators in the Middle East and Africa, and won new customers in an extremely competitive market. The company signed new partnership agreements and agreed on closer cooperation with existing partners, since in line with its strategy Tecnomen mainly sells its products and services in the African region through its global partners. Tecnomen is actively involved in developing and providing third generation services.

Tecnomen supplied various voice mail solutions to several Middle East countries. The company supplied a prepaid system to Mattel, the first GSM operator in Mauritania in Western Africa. This will be upgraded to bring it in line with Camel 2, the next generation of the intelligent network standard. Tecnomen supplied a voice mail system expansion to Cell C in South Africa.

AMÉRICA MÓVIL GROUP

Tecnomen has a strong standing with the América Móvil Group and an extensive service offering. In 2002 six of the Group's eight mobile operators in Latin America were customers of Tecnomen: Conecel (Porta) in Ecuador, ATL, Telet and Americel in Brazil, and PCS Digital in Guatemala and Nicaragua.

América Móvil is the leading group of mobile operators in Latin America, with more than 30 million mobile phone customers. The América Móvil Group also includes operators in Mexico, Argentina, Colombia, Venezuela, Puerto Rico, the United States and Spain.

Carlos Zenteno
President of Conecel

"Porta required a prepaid system that met the latest local and international standards. It also had to be the best possible solution for our fast-growing prepaid customer base that uses GSM and TDMA networks. Tecnomen's solution enables us to provide prepaid services efficiently, allowing us to add extra capacity as the market grows."

CELL C

In the challenging value-added service market in Africa, Tecnomen's expertise opens up the door to profitable operations for operators. Success against the toughest competitors is based on close partnership and commitment.

Tecnomen's South African client, Cell C, started operations in November 2001. Tecnomen supplied Cell C with a messaging system before this in July 2001. A year later, in June 2002, the original system was extended. South Africa has more than 40 million inhabitants. The country has an advanced mobile phone network and three operators that together have more than 9 million customers. Cell C has over a million customers, or about 9.5 per cent of the market.

Matti Kakko
Director, Tecnomen Middle East and Africa

"Tecnomen successfully completed the initial implementation well ahead of the original schedule. A major factor in achieving this has been the excellent cooperation between the two parties. Tecnomen is committed to Africa and to providing maintenance and support operations there."

Global partners

Tecnomen has global partnership agreements for marketing its products with Siemens, Nokia and Nortel Networks, who sell the solutions developed by Tecnomen as part of their own deliveries. Compaq and Fujitsu Invia also sell Tecnomen products in certain market areas.

In line with its strategy Tecnomen sells its products and services through partners in areas where it has no local operations. This has enabled Tecnomen to expand its operations into different parts of the world, such as Africa. Tecnomen's sales through global partners in 2002 totalled some 18 per cent of total net sales. A major share of the contracts with new customers were obtained with global partners.

SIEMENS

Siemens and Tecnomen have been partners for more than 5 years. Siemens sells Tecnomen's intelligent network products and messaging systems such as voice mail, unified messaging and MMS services as part of its own global network deliveries. Siemens has sold several of Tecnomen's systems to operators in Europe and Africa.

In addition, Siemens and Tecnomen work closely together to ensure that multimedia messaging services (MMS) are compatible with the wireless handsets of the future. In September 2002 Tecnomen supplied an MMSC to Siemens for use in the testing and further developing of MMS handsets. The Tecnomen MMSC functions primarily as a development environment in compatibility tests for Siemens multimedia handsets.

Dr. Peter Stuwe
Head of the Integration and
Testing Department

"Siemens chose the Tecnomen solution because we are convinced of its reliability. Tecnomen's MMSC and Siemens' multimedia handsets enable customers to enjoy a wide range of different wireless multimedia services that are based on open global standards."

Product development

Long-term research and development is a vital element in Tecnomen's operations. Investments in developing technology continuously and systematically ensure that the company's products and services remain competitive. Tecnomen is constantly working to obtain a better understanding of the needs of customers and end users and through this to launch a flow of new, useful products and product features.

During 2002 R&D efforts focused on key products. Prepaid systems were brought more in line with the latest intelligent network standards. Raising the capacity of various systems and developing new product features were part of R&D projects for all products. Tecnomen also continued the successful development of its messaging systems, in particular of the MMSC (multimedia messaging centre), and launched new MMSC system features.

MULTIMEDIA MESSAGING INTERCONNECTION BETWEEN DIFFERENT VENDORS AND OPERATORS

Tecnomen, Nokia, Radiolinja and Sonera started the first interconnection for multimedia message services (MMS) in the world between the MMS systems of different suppliers on 18 November 2002. Before this interconnection could start, successful interoperability tests were needed between the Tecnomen and Nokia multimedia messaging centres.

The interoperability of MMS services gives the customers of operators the chance to make use of a wide range of multimedia messaging services. With the MMS solution customers can send and receive multimedia messages that combine text, voice, picture and video. Radiolinja customers can now send multimedia messages to and receive them from Sonera customers.

Kai Kauto
VP, Global Sales at Tecnomen

"This is a major achievement in terms of developing MMS services and for their wider utilisation. Tecnomen and other vendors have for a long time demonstrated the interoperability of multimedia messaging systems and handsets. The particular significance of this new service is that for the first time interoperability has been demonstrated in a commercial environment, using genuine messages. Interoperability – not having to worry about the network or handset – is a key requirement for the rapid, extensive introduction of multimedia messaging. The first interconnected commercial MMSC installations in the world demonstrate Tecnomen's commitment to open standards and to working with the major players on the market. Tecnomen's MMSC uses an MM4 interface in accordance with 3GPP technical specifications and is available to all our customers."

New easy-to-use services

During the year Tecnomen continued its R&D on messaging systems, developing new features for the Tecnomen eZONER service platform, which is based on the Linux operating system. Designing and implementing the new Tecnomen eZONER architecture has laid the foundation for Tecnomen's future competitiveness. Combining the work of third parties with Tecnomen's offering enables the company to provide better service by focusing its own resources more precisely. The main focus in R&D for voice mail services was to create new, easy to use services such as a service that makes it easy to listen to e-mail over the phone. Through the new services being developed, voice mail can be used as a personal assistant, which increases active use of voice mail.

Open standards and interconnectivity

Operators and system suppliers have shown considerable interest in multimedia messaging services (MMS). Thanks to developments in handsets, it is thought that picture messages, which function in the same way as SMS messages, will be one of the most widely used applications as third generation mobile phone systems become more popular. If the use of MMS services is to increase, it must be as easy to use them as it is to send and receive SMS messages.

The leading telecommunications companies are committed to open, global multimedia standards which help the emergence of the market. The services can be provided using GSM/GPRS technology and the new third generation mobile phone networks. By conforming to these common standards, vendors can offer consumers a wide range of competitively priced but compatible handsets and services.

Tecnomen makes its own contribution to the development of open standards and interoperability by carrying out interconnection tests on the phones of all major vendors and testing how they function in real user situations. These tests take place through the MMS Interoperability Group, which works to specify and promote multimedia messaging interconnectivity from the specifications approved by the standards development organisations Third Generation Partnership Project (3GPP) and Open Mobile Alliance (OMA). Tecnomen is a member of both organisations.

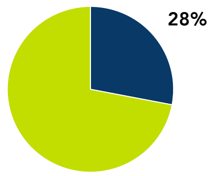
Solid investment in the future of intelligent network products

Even with the mobile market in an upheaval, Tecnomen made major progress in developing its prepaid services. The new 3-tier architecture provides dynamic scaleability, making the service platform a cost-effective investment for operators. The first deliveries of the new architecture will take place during the first quarter of 2003. Camel stage 2 is one of the new standards supported by Tecnomen's system.

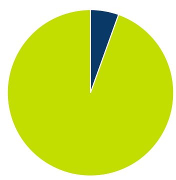
To support its partnership strategy, Tecnomen licensed and developed Nortel's IS-41P protocol for the TDMA (Time Division Multiple Access) market.

The new invoicing standards for services will be largely based on the work of the Parlay Group and Payment Group. Tecnomen participates in the work of both organisations.

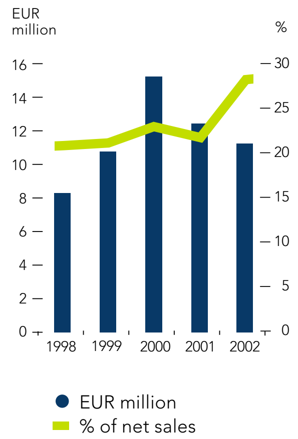
R&D costs as a portion of net sales, %



Capital expenditure as a portion of net sales, %



R&D costs and share of net sales, EUR million and %



Personnel and organisation

The rapid changes in the state of the market posed new demands and challenges for Tecnomen's personnel. Demonstrating the strong commitment and ability to work together that are part of the company culture, personnel focused their energies on issues that will bring results.

Skilled, motivated and result-oriented personnel are a key factor for Tecnomen in achieving its goals. Personnel know-how and the ability to work together form the basis for the company's success. Despite the difficult state of the market, Tecnomen aims in all its operations to meet customer needs and to achieve the goals set for the business.

Tecnomen personnel work in a genuinely multicultural environment: the work force represents about 20 different nationalities, working in 10 locations around the world.

Skills development

Continuous development of personnel ensures that the company has the right skills and provides the necessary customer service. The emphasis in training has switched from extensive training programmes to more precisely targeted schemes. Development activities focused on improving the quality of work force operations, raising sales efficiency, and personnel management. The training scheme for top management, Tecnomen Business Academy, dealing with management and the work of supervisory workers, was completed in the spring of 2002.

Internal communication and feedback

Open, honest cooperation is one of Tecnomen's basic values. The purpose of the annual job satisfaction questionnaire for personnel is to encourage internal communication and commitment to developing the work community. In February 2002, a survey of the whole group was made and the results were examined team by team. In the autumn a smaller satisfaction survey was made of supervisory staff.

In 2002 the company set up an intranet-based Ideabox for the whole group. The idea behind this new feedback channel is to make it easier and faster to make proposals and to administer ideas for improvement. The topics for the initiatives have varied from the working atmosphere, and products and services to ideas for improving internal and external partnership. A bonus is paid for the best ideas that can be implemented.

Process management

Tecnomen has created new tools for managing customer information and customer relations and has made its sales organisation more customer-oriented. During 2002 the company initiated the "extended account team" to support process management throughout the company. This means that reinforcements from outside sales and customer service join the standard teams in key areas. Customers can then benefit from the best of Tecnomen's expertise in accordance with their particular needs. The new process management model also promotes understanding of customer needs throughout the organisation.

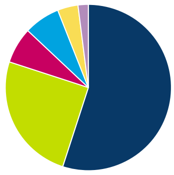
Organisation

Tecnomen Group continued its action, started early in 2001, to raise the efficiency of its organisation and operations. This aimed not only at cutting costs but also at improving customer satisfaction and the company's response speed, so that they match more closely the changed market conditions. The company reduced its organisational structure, merged functions, and reviewed and realigned the duties and responsibilities of key personnel. The changes gave better control of the business and brought the customer more into the centre of operations.

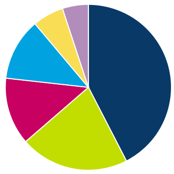
Ilkka Kukkonen
Product Manager

"Flexibility and a human approach are key expressions for personnel in these challenging times. Despite the circumstances, the role of personnel at Tecnomen has remained strong. The negotiations have been not just a challenge for personnel but also an excellent forum for contributing to Tecnomen's financial performance and its future. Cooperation with company management has functioned well and personnel have retained their confidence in the future, despite the cuts."

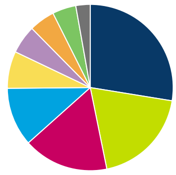
Personnel by area



Personnel by functions



Training days by subject matter



In Eastern and South-East Asia, Tecnomen focused its operations on the areas of the Malaysia and Taiwan offices, especially in Malaysia, Indonesia and Taiwan. The offices in Thailand, mainland China and Hong Kong were closed or Tecnomen's partners took over responsibility for them. The company cut back its operations in Spain.

Streamlining programme

Early in 2002 Tecnomen realised that the markets in which the company operates had shrunk for a longer period of time. To respond to this changed situation, in the second quarter of the year Tecnomen started to reorganise its operations and cut fixed costs.

The number of personnel fell during the year by 99, and at the end of 2002 stood at 457. Most of the jobs lost were as a consequence of the reorganisation, i.e. of the closing down of offices and the reorganisation of duties and responsibilities. Personnel turnover during the year, apart from during the period relating to the personnel negotiations, was small. Temporary lay-offs were another method affecting personnel used by the company in 2002 to achieve savings, and these are continuing for the time being.

Because of the poor overall outlook, in its personnel negotiations in 2002 Tecnomen agreed on major steps to achieve savings in 2003. In Ireland voluntary wage cuts will be applied throughout the organisation and in Finland temporary lay-offs will take place for specific periods. In addition, company management and most personnel that are not affected by the lay-offs will contribute to the cost cutting action through voluntary wage cuts for limited periods during 2003. This approach enables the company to react swiftly if the market picks up.

Tecnomen and a partner arranged relocation training for personnel whose employment was terminated through the streamlining action.

Leisure activities

Every Tecnomen employee has the opportunity to participate in leisure activities, in the spheres of sport and culture. In Espoo the company has more than 20 sports and other activity clubs.

Challenges for 2003

Responding to the challenges of the future and achieving the company's goals requires hard work from personnel and commitment to the company's ways of working and values. The core values that guide Tecnomen's operations are open and honest cooperation, focusing on the issues that will achieve results, continuous development of skills, and personal growth. These values underlie the Tecnomen way of working with customers, partners, sub-contractors and other stakeholder groups. They also form the basis for the way the organisation works.

One of Tecnomen's main challenges is to identify the areas that can be of decisive importance for the future operations of the company if they are developed. Tecnomen systematically analyses the surveys of its customers and personnel, and feedback obtained via various channels to be able to respond to the challenges of the future.

Business environment

During 2002 the level of investment by telecommunications operators continued to decline, and at a faster rate than in the previous year. The growing uncertainty in the market reduced investments by operators and service providers, postponed investment decisions, and cut the size of investments. Companies concentrated on keeping costs under control and on raising profitability and efficiency. Investments in 3G licences and infrastructure, for example, put operators under financial pressure. Demand for messaging services continued to grow among various user groups during 2002 and long-term end customer market prospects remained strong.

During 2002, the changes continued in the technical environment. These included the introduction of GPRS features, the building of networks in many areas and the development of new value-added services. Voice messaging continued to increase in the mobile phone networks and remained the main form of communication. Demand for unified messaging features grew more slowly than expected. Multimedia applications are expected to become very popular, but the pace of market growth is extremely difficult to forecast.

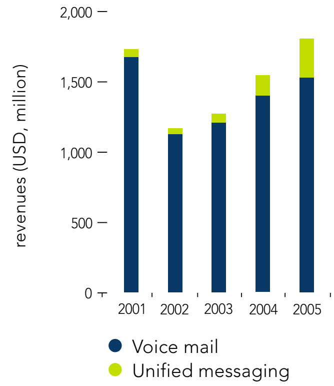
Since mobile phone network coverage and the number of users are getting close to the maximum possible in certain areas, operators have to focus on launching new services and in this way raising the total net sales obtained through their customers. Lower prices and technical progress have enabled operators to expand into new messaging applications. Operators are segmenting their services even more precisely and building complete packages, in which services must be easy to start up and have a simple interface. Operators have been forced to develop new services more systematically and to train their customers to use them.

Segmented full-service packages

Voice mail services are still the most popular value-added service. The market continues to grow, especially in countries where the number of mobile phone subscribers is rising.

Long-term growth prospects for messaging systems remain good, as established voice mail services have been combined with new services. Mobile operators are offered the opportunity to create integrated applications that combine voice and data. The user base for unified messaging services in future will above all consist of small- and medium-sized companies, not so much the ordinary consumer.

Messaging enhanced services platforms market: revenue forecasts (world)



Source: Frost & Sullivan 2002

New forms of messaging

The market for multimedia systems and the first commercial services for them started up gradually, starting in Europe, creating confidence that the market will grow. The introduction of MMSC standards made good progress and several European and Asian companies advanced from trial use of MMS to commercially launching the service. New services and systems are being developed as the properties of the handsets evolve. However, the rapid growth in user volumes and applications that seemed to be on the horizon failed to materialise during 2002. However, multimedia services and as yet unidentified applications are expected to lead the emerging mobile market into a new growth track. The interoperability of multimedia messaging systems and handsets is a key requirement for the rapid, widespread introduction of multimedia messaging.

New ways of paying

Demand for the prepaid systems offered by mobile phone operators has increased, especially in areas where the number of mobile phone subscribers is still on the increase, such as in Latin America and Africa. In Western Europe prepaid users accounted for about 60 per cent of all users and in Italy no less than 80 per cent at the end of 2002.

Prepayment opens up new, attractive opportunities for vendors in the sector. It is becoming easier to use mobile phones as a method of payment. In future it will be possible for example to pay for tram tickets or even a meal in a restaurant by telephone.

Growing importance of security

The growth in the security sector promotes sales of paging systems for public authorities, especially in Western Europe. Demand has increased for public authority networks and the handsets for them, designed especially for the security forces. Terrestrial Trunked Radio, TETRA, is an open digital radio network standard designed for public authorities that aims to improve communication between public authorities. Paging systems extend the services offered by TETRA networks. The main users of public authority networks are the police, the fire service and other emergency services. In the Middle East, using a paging device along with a mobile phone remains popular.

Future prospects

It is extremely difficult to forecast market developments over the next few years. In response to sharply intensifying competition and the recent exceptionally fast fall in investment demand, companies in the sector have streamlined their operations and cut prices. The growing interest in multimedia services and the growth in sales of prepaid and messaging systems in certain market areas have, however, opened up new opportunities for Tecnomen. New services and user features increase the number of end users and create new user groups, with potential for market growth. Companies in the sector must be able to offer their customers even greater added value through more effective focusing, improved customer service and innovation. Consolidation in the sector is likely to continue in the area of current product and service offerings.

***E-MAIL READER** – the freedom to access your e-mail anywhere, anytime*

Erik and his colleague Suzanne were expecting a call from an important client this evening. Suzanne handled the call and then e-mailed Erik to let him know that the client was impressed and wants to hear more tomorrow morning. On the way home from the theatre, Erik calls to check his e-mail messages. He retrieves Suzanne's e-mail and listens to it. He responds to Suzanne to let her know he'll be in early tomorrow morning to follow-up with the client. Then he listens to the headings of his other e-mail, voice and fax messages.

Report by the Board of Directors

Markets

The volume of investment by telecommunications operators declined even more than in the previous year. Investments in value-added services were cut. Earlier miscalculations, such as the investments in 3G licences, and the overheating of the share market towards the end of the 1990s, contributed to the unexpectedly sharp fall in the overall market. Consolidation continued among companies in the sector, but at a more moderate rate than in previous years.

Typical features of the market were efforts to raise efficiency and increasing pressure on prices. Voice-based services remained the most popular form of messaging in the telecommunications market in 2002. Demand for data-based messaging applications and unified messaging systems failed to pick up as anticipated. The slowdown in the growth of the number of mobile phone users and the decline in demand for systems intensified competition and created pressure on market prices. Operators tried to segment their user groups and to target services more precisely.

The market started up for multimedia systems, along with the first commercial services for them. The anticipated rapid growth in user numbers and applications failed to materialise, however, during 2002.

Prepaid systems continued to grow in popularity in 2002, especially in areas where the number of users continued to rise rapidly. This was the case especially in Latin America and Africa.

Sales and net sales

During the review period Tecnomen had net sales of EUR 39.9 (57.1) million, a fall of some 30 per cent from the previous year. The order intake declined less during the period than net sales.

Tecnomen's market share grew despite the decrease in net sales. The company has estimated that average investment demand in Tecnomen's product areas fell some 35-45 per cent worldwide. Tecnomen's sales grew in the Middle East and Africa area and fell in Eastern and South-East Asia, where operators and service providers postponed their orders until 2003.

In 2002, 41 (48) per cent of Tecnomen's net sales came from Europe, 29 (25) per cent from Latin America, 21 (10) per cent from the Middle East and Africa, and 9 (17) per cent from Eastern and South-East Asia.

Tecnomen's messaging systems accounted for about 61 (66) per cent of net sales during the review period, prepaid systems and other intelligent network products for about 29 (22) per cent and paging systems for about 10 (11) per cent.

Tecnomen has worldwide partnership agreements for marketing its products with Siemens, Nokia, Nortel Networks and Fujitsu Invia. Cooperation continued at an encouraging level with these strategic partners and these sales accounted for 18.0 (19.9) per cent of total net sales. Tecnomen's collaboration with Siemens expanded into the area of multimedia services, in both sales partnership and the development of Siemens' multimedia terminal devices. The first prepaid system was supplied with Nortel.

During the review period Tecnomen signed delivery agreements with existing and new customers. The customer base expanded, but the systems supplied were smaller in size than in previous years. System maintenance sales increased.

The company supplied messaging systems and capacity expansions in Norway, Denmark, Switzerland, Ireland, Lithuania, South Africa and Brazil. It supplied multimedia messaging centres in Finland and Austria.

Tecnomen supplied new prepaid systems in Africa and several Latin American countries and a paging system expansion in Kuwait.

The order intake towards the end of the year improved compared to the fourth quarter in the previous year and the year-end order book stood at EUR 10.4 (4.4) million.

Operating result

The company had an operating result during the review period of EUR -14.1 (-1.5) million. The decline in net sales was the biggest factor affecting the result. Because of this, the company initiated major steps to achieve savings and streamline operations. These actions will mainly start to have a visible impact on the result during 2003. Most of the losses occurred early in the year.

Non-recurring costs of EUR 0.7 million arising from the reductions in personnel were allocated to the review period.

Commercial commitments from previous financial periods and other realised project obligations increased non-recurring costs for the period by about EUR 1 million.

The net result is reduced by a provision of about EUR 0.6 million, allocated to financial income and expenses, for exchange rate losses relating to equity financing given to the subsidiary in Brazil.

The result for the period before extraordinary items, appropriations and taxes was EUR -14.6 (0.6) million.

Earnings per share were EUR -0.25 (0.01). Equity per share at the end of the period was EUR 1.26 (1.50).

Financing and investments

Tecnomen's financial position is strong. Liquid assets were EUR 34.7 (41.1) million. The balance sheet total on 31 December 2002 stood at EUR 81.3 (98.7) million. The cash flow in the fourth quarter was EUR 1.1 million positive. Interest-bearing liabilities amounted to EUR 0.9 (1.1) million. The debt to equity ratio (gearing) was -46.6 (-45.8) per cent. The balance sheet structure remained strong and the equity ratio on 31 December 2002 was 90.1 (89.2) per cent.

Tecnomen's gross capital expenditure during the review period was EUR 2.2 (3.3) million.

Research and development

Tecnomen continued its investments in R&D in 2002. Because of the state of the market, the company targeted its efforts more precisely on ensuring the competitiveness of key product areas.

During the year Tecnomen continued its R&D on messaging systems (voice mail, unified messaging and multimedia services) and developed new features for the Tecnomen eZONER service platform. The company developed the architecture of the service platform to bring it more in line with new requirements in terms of range of functions and power. Increasing the capacity of various systems and developing new product features were part of the R&D projects for all products. A new system architecture with improved scalability, enabling systems that can manage tens of millions of subscribers, was launched for prepaid systems.

R&D costs were EUR 11.2 (12.3) million, corresponding to 28.0 (21.5) per cent of net sales. R&D related costs have been recorded directly as costs.

Personnel and organisation

The organisation and operations of the whole group were enhanced during the review period. The steps taken aimed at not only cutting costs but also increasing customer satisfaction and improving the company's response capabilities. The reductions in personnel costs were implemented in such a way that Tecnomen retains its ability to react to customer needs.

Part of the streamlining action involved changes at all the business units and in sales and marketing, reducing the organisational structure and combining functions.

In Eastern and South-East Asia Tecnomen concentrated operations at its Malaysia and Taiwan offices. Its offices in Thailand, mainland China and Hong Kong were either closed down or Tecnomen's partners took over responsibility for them. The company cut back its operations in Spain.

As a result of the personnel rationalisation carried out at the company's business units, the number of personnel in the group declined during 2002 by some 18 per cent from the previous year. At the end of 2002, Tecnomen employed 457 (556) people worldwide. The average number of personnel during the period was 520 (559).

Tecnomen shares and share capital

At the end of 2002 the shareholders' equity of Tecnomen Corporation stood at EUR 72.5 million and the share capital was EUR 4,647,406.24, divided into 58,092,578 shares. The company held 400,000 of these shares. The equity per share was EUR 1.26.

A total of 24,256,896 Tecnomen shares (EUR 23,560,482) were traded on the Helsinki Exchanges during the period 2 January – 30 December 2002, or 41.8 per cent of the total number of shares. The highest share price quoted in this period was EUR 2.10 and the lowest was EUR 0.49. The average quoted price was EUR 0.97 and the closing price on 30 December 2002 was EUR 0.51. The share stock had a market value of EUR 29,627,215 at the closing price.

Current authorisations

Tecnomen's Annual General Meeting of Shareholders, held on 11 April 2002, authorised the Board of Directors for a period of one year from the AGM to decide on purchasing and disposing of the company's own shares. The company may purchase at most 2,904,628 shares, or five (5) per cent of the company's total share capital, using distributable funds. The shares may be used as consideration in company acquisitions, in purchasing assets relating to the company's business operations or in making other arrangements for developing the company's business, in consolidating the company's capital structure, to cover the social security costs arising from stock options, or as part of the company's remuneration or incentive schemes, or otherwise for resale issuance or for invalidation in a manner and to an extent to be decided by the Board.

During the review period, on the basis of the authorisation given by the AGM the company purchased 400,000 of the company's own shares on the Helsinki Exchanges in the period 22 May–5 July 2002, with a total purchasing price of EUR 398,692. The shares represent 0.69 per cent of the company's total share capital and of its voting rights. The shares purchased have a combined nominal value of EUR 32,000.

Tecnomen's Annual General Meeting of Shareholders authorised the Board of Directors for a period of one year from the Annual General Meeting of Shareholders to decide on raising the company's share capital by a maximum of EUR 601,481.20, corresponding to 7,518,515 new shares, in one or more issues by issuing new shares and/or convertible bonds and/or stock options, disapplying the pre-emptive subscription rights of shareholders. The authorisation can be used to carry out company acquisitions or other arrangements to develop the company's business operations, to finance investments, to reinforce the company's capital structure, to cover the social security costs arising from share options, or to set up a remuneration or incentive scheme for the company.

During the review period the Board has not used the authorisation to raise the company's share capital by issuing new shares, convertible bonds or stock options and has not disposed of the company's own shares.

Stock options

Tecnomen's Annual General Meeting of Shareholders on 11 April 2002 decided on a new stock option programme. A total of 4,100,000 stock options can be issued that entitle holders to subscribe to a total of 4,100,000 Tecnomen Corporation shares. As a result of subscriptions with the 2002 stock options, the company's share capital can rise by a maximum of EUR 328,000. The stock options are divided into 2002A (400,000), 2002B (1,200,000), 2002C (1,200,000) and 2002D (1,300,000) stock options. A total of 396,000 2002A stock options and 377,000 2002B stock options were distributed to key Tecnomen personnel. In accordance with the decision of the Annual General Meeting of Shareholders, a total of 100,000 2002B stock options were distributed to members of the Board of Directors.

Board of directors, management and auditors

During the review year, Tecnomen's Board of Directors contained seven members: Lauri Ratia, Keijo Olkkola, Lars Hammarén, Carl-Johan Numelin, Christer Sumelius, Timo Toivila and Hannu Turunen. Lauri Ratia was Chairman of the Board and Keijo Olkkola was Vice Chairman.

Tecnomen Corporation's President and CEO was Vesa Helkkula, MSc (Eng.), MBA.

Tecnomen Corporation's auditors were KPMG Wideri Oy Ab and the responsible auditor was Sixten Nyman, APA.

Prospects for 2003

Economic uncertainty is a key element affecting prospects for 2003, coupled with the threat of war in Iraq and unrest in Venezuela. The telecommunications market is showing no clear signs of a return to growth. Even though the use of end user messaging services continues to grow, intensifying competition between service and system suppliers is bringing prices down. The new services and user features give confidence in future market growth, since they will increase the volume of messaging by end users.

The impact of the steps taken in 2002 to raise efficiency and cut costs will be fully visible in 2003. Precise focusing on selected customer segments and geographical areas has given a boost to marketing and sales. The efforts put into Latin America and certain South-East Asian customers are expected to increase sales during 2003.

Investments by teleoperators in 2003 are expected to remain at roughly the same level as in the previous year in terms of euros, but average prices are expected to fall. Tecnomen will continue its efforts to strengthen its market position and improve its cash flow from operating activities and result.

Proposal of board for distribution of dividends

The Board of Directors proposes to the Annual General Meeting to be held on 25 March 2003 that no dividend be paid for the financial period that ended on 31 December 2002 and that the loss for the year be transferred to the retained earnings account.

TECNOMEN CORPORATION
Board of Directors

Tecnomen Group, income statement

EUR 1,000	Note	Group Jan.1–Dec. 31,2002	Group Pro forma Jan.1–Dec. 31,2001	Group Official March 31–Dec. 31,2001
Net sales	1	39,864	57,129	42,159
Other operating income	2	1	83	39
Material and services	3	7,412	9,671	6,936
Personnel expenses	4	27,956	27,758	21,189
Depreciation	5	3,401	3,800	2,945
Other operating expenses	6	15,238	17,524	13,087
Operating result		-14,143	-1,541	-1,959
Financial income and expenses	7	-479	2,176	1,892
Result before extraordinary items		-14,622	634	-67
Result before appropriations and taxes		-14,622	634	-67
Direct taxes	9	297	-237	56
Result for the financial year		-14,325	398	-11

Tecnomen Group, balance sheet

EUR 1,000	Note	Group Dec. 31,2002	Group Official Dec. 31,2001
Assets			
Fixed assets			
Intangible assets	10	736	647
Tangible assets	11	10,690	12,133
Investments	12	17	17
Total fixed assets		11,443	12,798
Current assets			
Inventories	13	3,571	3,345
Long-term receivables	14, 19	4,535	5,744
Short-term receivables	15	27,066	35,692
Cash at bank and in hand		34,696	41,079
Total current assets		69,868	85,859
		81,311	**98,657**
Equity and liabilities			
Shareholders' equity	16		
Share capital		4,647	4,647
Share premium fund		66,029	65,861
Retained earnings		16,145	16,821
Result for the financial year		-14,325	-11
Total shareholders' equity		72,496	87,320
Liabilities			
Deferred tax liability	19	32	335
Long-term liabilities	20	865	907
Short-term liabilities	21	7,918	10,095
Total liabilities		8,815	11,337
		81,311	**98,657**

Tecnomen Group, cash flow statement

EUR 1,000	Group Jan. 1–Dec. 31,2002	Group Pro Forma Jan. 1–Dec. 31,2001	Group Official March 31–Dec. 31,2001
Cash flow from operating activities			
Profit (loss) before extraordinary items	-14,622	634	-67
Adjustments for:			
Planned depreciation	3,401	3,800	2,945
Unrealised exchange rate gains and losses	1,619	175	103
Financial income and expenses	-1,140	-1,751	-1,891
Other adjustments	-908	-308	-560
Cash flow before changes in working capital	-11,650	2,550	530
Changes in working capital			
Current receivables,			
non-interest bearing, increase(-)/decrease(+)	9,248	-1,725	2,484
Inventories, increase(-)/decrease(+)	-226	-798	-945
Current liabilities,			
non-interest bearing, increase(-)/decrease(+)	-2,154	-3,499	-3,276
Cash flow from operating activities before financial items and taxes	-4,781	-3,472	-1,207
Interest paid and other financial expenses from operating activities	-102	-1,809	-1,599
Interest received from operating activities	1,393	3,560	3,490
Income taxes paid	-267	-29	-29
Net cash flow from operations (A)	-3,757	-1,750	655
Cash flow from investments			
Investments in tangible and intangible assets	-2,252	-3,345	-2,435
Contribution from demerger		-2	-2
Proceeds from sale of shares		23	23
Cash flow from investments (B)	-2,252	-3,324	-2,414
Cash flow from financing activities			
Refund of capital transfer tax	167		
Purchase of own shares	-399		
Repayment of current loans	-100		
Old Tecnomen share subscriptions with stock options		1,678	1,676
Repayment of non-current loans	-43	-439	-104
Dividends paid		-334	-334
Cash flow from financing activities (C)	-375	905	1,238
Change in liquid funds (A+B+C)	-6,383	-4,169	-521
Liquid funds in 1 Jan. / 31 March	41,079	45,248	41,600
Liquid funds in 31 Dec.	34,696	41,079	41,079
Change	-6,383	-4,169	-521

The method of the cash flow statement has been changed in to the direct method according to the general rules of the Accountancy Board. Numbers from the prior year has been converted accordingly.

Tecnomen Parent company, income statement

EUR 1,000	Note	Parent company Jan.1–Dec.31,2002	Parent company Official March 31–Dec.31,2001
Net sales	1	37,348	
Other operating income	2	462	
Material and services	3	6,990	
Personnel expenses	4	17,431	176
Depreciation	5	2,197	
Other operating expenses	6	26,269	591
Operating result		-15,078	-767
Financial income and expenses	7	5,099	1,297
Result before extraordinary items		-9,979	530
Result before appropriations and taxes		-9,979	530
Appropriations	8	1,047	
Direct taxes	9		-139
Result for the financial year		-8,933	390

Tecnomen Parent company, balance sheet

EUR 1,000	Note	Parent company Dec. 31,2002	Parent company Official Dec. 31,2001
Assets			
Fixed assets			
Intangible assets	10	722	621
Tangible assets	11	7,602	8,664
Shares in Group companies	12	314	1,053
Receivables from Group companies	12	299	299
Investments	12	17	17
Total fixed assets		8,954	10,655
Current assets			
Inventories	13	1,708	1,179
Long-term receivables	14	5,001	5,298
Short-term receivables	15	34,910	37,779
Cash at bank and in hand		33,625	40,013
Total current assets		75,245	84,269
		84,199	**94,924**
Equity and liabilities			
Shareholders' equity	16		
Share capital		4,647	4,647
Share premium fund		66,029	65,818
Retained earnings		8,114	8,166
Result for the financial year		-8,933	390
Total shareholders' equity		69,857	79,022
Accumulated appropriations	17	109	1,156
Provisions	18		890
Liabilities			
Long-term liabilities	20	578	621
Short-term liabilities	21	13,655	13,236
Total liabilities		14,233	13,857
		84,199	**94,924**

Tecnomen Parent company, cash flow statement

EUR 1,000	Parent company Jan. 1–Dec. 31,2002	Parent company Official March 31–Dec. 31,2001
Cash flow from operating activities		
Profit (loss) before extraordinary items	-9,979	530
Adjustments for:		
Planned depreciation	2,197	
Unrealised exchange rate gains and losses	392	103
Other income and expenses with no cash payment	-4,403	
Financial income and expenses	-1,088	-1,297
Other adjustments	-416	-57
Cash flow before changes in working capital	-13,297	-721
Changes in working capital		
Current receivables, non-interest bearing, increase(-)/decrease(+)	9,228	-17
Inventories, increase(-)/decrease(+)	-530	
Current liabilities, non-interest bearing, increase(-)/decrease(+)	-1,189	50
Cash flow from operating activities before financial items and taxes	-5,788	-688
Interest paid and other financial expenses from operating activities	-68	
Interest received from operating activities	1,308	918
Income taxes paid	-175	
Net cash flow from operations (A)	-4,723	230
Cash flow from investments		
Investments in tangible and intangible assets	-1,386	
Contribution from demerger		-2
Cash flow from investments (B)	-1,386	-2
Cash flow from financing activities		
Refund of capital transfer tax	167	
Purchase of own shares	-399	
Repayment of current loans	-3	
Old Tecnomen share subscriptions with stock options		39,784
Repayment of non-current loans	-43	
Cash flow from financing activities (C)	-279	39,784
Change in liquid funds (A+B+C)	-6,388	40,013
Liquid funds in 1 Jan. / 31 March	40,013	0
Liquid funds in 31 Dec.	33,625	40,013
Change	-6,388	40,013

The method of the cash flow statement has been changed in to the direct method according to the general rules of the Accountancy Board. Numbers from the prior year has been converted accordingly.

Accounting principles

The financial statements of Tecnomen Corporation and the consolidated financial statements are prepared in accordance with the Finnish Accounting Act (1997/1336) and Ordinance (1997/1339) and with other legislation and regulations concerning financial statements. The financial statements of foreign subsidiaries have been arranged to correspond to Finnish principles for financial statements.

Consolidated financial statements

The consolidated financial statements include all Group companies in which the Parent Company has directly or indirectly more than a 50 per cent holding. The consolidated financial statements are prepared using the acquisition cost method. Intra-group transactions, unrealised margins on intra-group deliveries, internal receivables and liabilities, and internal profit distribution have been eliminated.

The income statements of Group companies operating outside the euro area have been converted applying the average rate for the financial period, and the balance sheet items, excluding the profit for the financial year, have been converted to euros using the exchange rate quoted on the balance sheet date. Translation differences generated by the conversion of shareholders' equity, the elimination of the equity of foreign subsidiaries, and the conversion of the income statement and balance sheet using different exchange rates have been entered under non-restricted equity.

Pro forma financial statements

Tecnomen Holding Corporation was formed as Kyro Corporation demerged on 31 March 2001.Its first official accounting period was 31 March–31 Dec. 2001.The merger of Tecnomen Holding Corporation and its subsidiary Tecnomen Corporation came into effect on 31 Dec. 2001 as the implementation of the merger was registered. In connection to the merger Tecnomen Corporation was dissolved and the trade name of Tecnomen Holding Corporation was changed to Tecnomen Corporation.

Tecnomen's financial statements have been prepared both from the official Group for 31 March–31 Dec. 2001 and from the pro forma Group for 1 Jan.–31 Dec.2001. The Tecnomen pro forma Group consists of the official Tecnomen Group plus the figures for the merged Tecnomen Corporation for the period 1 Jan.–31 March 2001. The resulting merger profit is entered in the shareholder's equity of the company. Inter-company items with respect to the former parent company, Kyro Corporation, and Tecnomen Group are presented as external items in the pro forma figures.

Items denominated in foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of transaction. At the end of the accounting period, receivables and liabilities, including those hedged with derivative contracts, denominated in non-eurozone currencies have been converted into euros using the average exchange rate quoted by the European Central Bank on the balance sheet date.

The exchange rate gains and losses related to actual business operations are managed as correction items for net sales and operational costs. Exchange rate differences from financial activities have been entered in financial income and expenses. Differences pertaining to balance sheet items are entered as income or expenses on the income statement.

The exchange rate differences on derivative contracts made for hedging purposes have been used to balance the exchange rate differences of the corresponding hedged items. Any open future contracts are valued at the average exchange rate on the balance sheet date and are entered as income or expense on the income statement.

Net sales

Net sales comprise sales revenue from which indirect taxes, exchange rate differences and discounts have been deducted. Project deliveries are recognised mainly when the equipment is delivered. Estimated costs incurred from installation work associated with project deliveries are entered in connection with equipment deliveries as project provisions under accrued expenses and deferred income.

Pension arrangements

Statutory pension and supplementary pension obligations in Finland are covered through payments to pension insurance organisations. Pension obligations for personnel in companies operating outside Finland are arranged in accordance with local legislation and practice.

Leasing

Leasing payments have been entered as rentals. Unpaid leasing fees are presented in the financial statements under contingent liabilities

Research and development costs

Research and development costs are expensed in the financial period in which they occured, apart from machinery purchases, which are depreciated over three years on a straight-line basis.

Valuation of inventories

Inventories are valued using the FIFO principle at the lower of acquisition cost, repurchase price or probable selling price. Fixed manufacturing costs have not been capitalised.

Valuation of fixed assets

Fixed assets have been capitalised at the acquisition cost. Planned depreciation is calculated on a straight-line basis over the useful life of the fixed assets.

The periods for planned depreciation periods are as follows:

- Intangible rights 3–10 years
- Other long-term expenditures 5 years
- Buildings and structures 25 years
- Machinery and equipment 3–5 years
- Computing hardware and software 3–5 years

Accumulated year-end appropriations

The difference between accumulated and planned depreciation has been divided into deferred tax liability and shareholders' equity in the consolidated balance sheet. The portion entered under shareholders' equity is not included in the Group's distributable equity. In the consolidated profit and loss account, appropriations have been divided between profit for the period and change in the deferred tax liability.

Deferred tax liabilities and tax assets

Deferred tax liabilities and assets are calculated from the differences between the tax and financial periods using the tax rate for subsequent years confirmed on the balance sheet date. The balance sheet includes deferred tax liabilities in their entirety and the probable realisable amount of deferred tax assets.

Purchase of own shares

Tecnomen has purchased 400,000 of its own shares during the fiscal year 2002 at a total purchase price of EUR 398,692. The total cost of purchasing shares is recorded against the non-restricted shareholders' equity. These shares have been deducted from the amount of shares when calculating the key figures per share.

Notes to the financial statement

INCOME STATEMENT, EUR 1,000	Group Jan. 1–Dec. 31,2002	Group Pro Forma Jan. 1–Dec. 31,2001	Group Official March 31–Dec. 31,2001	Parent company Jan. 1–Dec. 31,2002	Parent company Official March 31–Dec. 31,2001
1. Net sales	**39,864**	**57,129**	**42,159**	**37,348**	
Net sales by market area					
Europe	16,352	27,609	23,795	16,625	
Middle East and Africa	8,492	5,523	5,054	8,495	
Far East	3,640	9,748	2,343	3,642	
North and south America	11,380	14,249	10,967	8,586	
Total	**39,864**	**57,129**	**42,159**	**37,348**	
Net sales by product group					
Messaging and wireless Internet solutions	24,142	37,798	25,620	23,471	
Intelligent Networks	11,575	12,543	10,877	9,727	
Paging	4,147	6,346	5,437	4,150	
Other		442	224		
Total	**39,864**	**57,129**	**42,159**	**37,348**	
2. Other income from operations					
Profit from sale of non-current assets		34	34		
Other income	1	49	5	462	
Total	**1**	**83**	**39**	**462**	
3. Material and services					
Material and supplies					
Purchases during financial year	6,313	9,599	6,705	6,556	
Changes in inventories of materials and supplies	-226	-929	14	-529	
	6,087	**8,670**	**6,719**	**6,027**	
External services	1,325	1,001	217	963	
Total	**7,412**	**9,671**	**6,936**	**6,990**	
4. Personnel expenses					
Salaries and fees	22,254	22,104	16,623	14,016	145
Pension expenses	3,062	2,562	1,866	2,199	26
Other personnel expenses	2,639	3,092	2,700	1,215	5
Total	**27,956**	**27,758**	**21,189**	**17,431**	**176**
Salaries and remuneration paid to Members of the Board and Managing Directors.	749	866	649	312	145

There is no loan granted to the Board of Directors of Tecnomen Corporation.

The CEO of the Parent Company is entitled to retire at the age of 60 years.

INCOME STATEMENT, EUR 1,000	Group Jan. 1–Dec. 31,2002	Group Pro Forma Jan. 1–Dec. 31,2001	Group Official March 31–Dec. 31,2001	Parent company Jan. 1–Dec. 31,2002	Parent company Official March 31–Dec. 31,2001
The Group and Parent Company employed during the financial year on average.					
Clerical staff	520	559	567	249	1
5. Depreciation					
Depreciation according to the plan					
Intangible assets					
Intangible rights	334	208	160	332	
Other expenditure with long-term impact	5	13	8	5	
Tangible assets					
Building and fixtures	323	341	257	265	
Machinery and equipment	2,739	3,238	2,520	1,747	
Write-downs of long-term investments				-152	
Total	**3,401**	**3,800**	**2,945**	**2,197**	
6. Other operating expenses					
Rents	2,286	2,205	1,677	1,443	
Other expenses	12,952	15,319	11,410	24,826	591
Other operating expenses total	**15,238**	**17,524**	**13,087**	**26,269**	**591**
7. Financial income and expenses					
Dividend income					
Dividend income from Group companies				4,403	918
Imputed tax credit					375
Interest income					
From Group companies				14	
From others	1,275	2,606	2,123	1,269	6
Other financial income					
From others	1,782	1,379	1,367	960	
Financial income and expenses total	**3,058**	**3,985**	**3,490**	**6,646**	**1,299**

INCOME STATEMENT, EUR 1,000	Group Jan. 1–Dec. 31,2002	Group Pro Forma Jan. 1–Dec. 31,2001	Group Official March 31–Dec. 31,2001	Parent company Jan. 1–Dec. 31,2002	Parent company Official March 31–Dec. 31,2001
Interest expenses					
To Group companies					-2
To others	-61	-77	-42	-40	
Other financial expenses					
To others	-3,475	-1,732	-1,557	-1,507	
Interest and other financial expenses total	-3,537	-1,809	-1,599	-1,547	-2
Financial income and expenses total	**-479**	**2,176**	**1,892**	**5,099**	**1,297**
Other financial income and expenses include foreign exchange differences (net)	-1,746	-321	-164	-519	

8. Appropriations

Difference between depreciation according to the plan and according to tax regulations				1,047	
Change of reserves total				**1,047**	

9. Direct taxes

Income taxes from business operations	-128	-125*)	205*)		-139
Change in deferred tax liability	426	-112	-148		
Total	**297**	**-237**	**56**		**-139**

*) Includes EUR 375,000 receivable from imputed tax credit.

BALANCE SHEET, EUR 1,000
Fixed assets and other long-term investments

10. Intangible assets, Group	Immaterial rights	Other long-term expenses	Total
Acquisition cost 1 Jan. 2002	2,417	234	2,651
Translation difference	-11		-11
Increase	439		439
Acquisition cost 31 Dec. 2002	2,845	234	3,079
Accumulated depreciation 1 Jan. 2002	-1,775	-229	-2,004
Depreciation from the period	-334	-5	-339
Accumulated depreciation 31 Dec. 2002	-2,109	-234	-2,343
Book value 31 Dec. 2002	**736**		**736**
Book value 31 Dec. 2001	642	5	647

Intangible assets, Parent company			
Acquisition cost 1 Jan. 2002	2,357	234	2,591
Increase	439		439
Acquisition cost 31 Dec. 2002	2,796	234	3,030
Accumulated depreciation 1 Jan. 2002	-1,741	-229	-1,970
Depreciation for the period	-332	-5	-337
Accumulated depreciation 31 Dec. 2002	-2,073	-234	-2,307
Book value 31 Dec. 2002	**722**		**722**
Book value 31 Dec. 2001	616	5	621

11. Tangible assets, Group	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan. 2002	2,069	7,569	21,404	79	31,122
Translation difference			-336		-336
Increase			1,827	22	1,849
Decrease			-129		-129
Transfers between categories		-58	58		
Acquisition cost 31 Dec. 2002	2,069	7,511	22,824	102	32,506
Accumulated depreciation 1 Jan. 2002		-2,405	-16,584		-18,989
Translation difference			158		158
Accumulated depreciation for decreases and transfers			77		77
Depreciation for the period		-323	-2,739		-3,062
Accumulated depreciation 31 Dec. 2002		-2,727	-19,089		-21,816
Book value 31 Dec. 2002	**2,069**	**4,784**	**3,735**	**102**	**10,690**
Book value 31 Dec. 2001	2,069	5,165	4,819	79	12,133

BALANCE SHEET, EUR 1,000 Tangible assets, Group	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan. 2002	1,666	6,045	13,671	79	21,462
Increase			940	22	962
Decrease			-23		-23
Acquisition cost 31 Dec. 2002	1,666	6,045	14,588	102	22,400
Accumulated depreciation 1 Jan. 2002		-2,055	-10,742		-12,797
Accumulated depreciation for decreases and transfers			10		10
Depreciation for the period		-265	-1,747		-2,012
Accumulated depreciation 31 Dec. 2002		-2,320	-12,479		-14,799
Book value 31 Dec. 2002	**1,666**	**3,726**	**2,109**	**102**	**7,602**
Book value 31 Dec. 2001	1,666	3,991	2,929	79	8, 664

12. Investments, Group	Shares Others
Acquisition cost 1 Jan. 2002	17
Book value 31 Dec. 2002	**17**
Book value 31 Dec. 2001	17

Investments, Parent company	Shares Group companies	Shares Others	Investments Others	Total
Acquisition cost i Jan. 2002	1,053	17	299	1,369
Reduction in value	-738			-738
Book value 31 Dec. 2002	**314**	**17**	**299**	**631**
Book value 31 Dec. 2001	1,053	17	299	1,369

Group companies	Domicile	Parent company Ownership, %	Group Ownership, %	Parent company shares Number of shares	Parent company shares Nominal value/ share, EUR	Book value EUR 1,000
Tecnomen Ltd.	County Clare, Ireland	100	100	131,428	1.35	124
Tecnomen GmbH	Dreieich, Germany	100	100	200,000	0.50	92
Tecnologia de Mensajes Tecnomen SL	Madrid, Spain	100	100	500	6.05	31
Tecnomen Hong Kong LTD	Wan Chai, HK	100	100	500,000	0.13	59
Tecnomen Sistemas de Telecommunicacao Ltda	Sao Paulo - SP CEP Brazil	100	100	1,154,251	0.54	0
Tecnomen (M) Sdn Bhd	Kuala Lumpur, Malaysia					0
Tecnomen Japan Oy	Espoo, Finland	100	100	500	16.80	8
Total						**314**

In addition, Parent Company owns all the shares in Tecnovation Oy, which has no operations.

13. Inventories	Group Dec. 31,2002	Group Official Dec. 31,2001	Parent company Dec. 31,2002	Parent company Official Dec. 31,2001
Material and consumables	2,632	2,703	1,649	1,089
Work in progress	187	236		20
Finished products/goods	752	406	59	69
Total	**3,571**	**3,345**	**1,708**	**1,179**
14. Long-term receivables				
Receivables from companies belonging to the same Group				
Other receivable			902	
Total			**902**	
Receivables from others				
Deferred tax receivable	122			
Accounts receivables	4,137	5,204	4,099	5,075
Other receivables	256	514		223
Prepaid expenses and accrued income	20	26		
Total	**4,535**	**5,744**	**5,001**	**5,298**
15. Short-term receivables				
Receivables from companies belonging to the same Group				
Accounts receivables			1,782	817
Loans receivables			4,668	1,499
Prepaid expenses and accrued income			3,034	539
Total			**9,484**	**2,856**
Receivables from others				
Accounts receivables	23,552	33,517	22,184	32,918
Loan receivables	248	256	185	153
Prepaid expenses and accrued income	3,266	1,919	3,058	1,852
Total	**27,066**	**35,692**	**25,427**	**34,923**
Short-term receivables total	**27,066**	**35,692**	**34,910**	**37,779**

BALANCE SHEET, EUR 1,000	Group Dec. 31,2002	Group Official Dec. 31,2001	Parent company Dec. 31,2002	Parent company Official Dec. 31,2001
Prepaid expenses and accrued income				
Receivables related to sales	1,143	916	124	916
Other receivables	2,123	1,003	5,968	1,474
Prepaid expenses and accrued income total	**3,266**	**1,919**	**6,092**	**2,390**
16. Shareholders' equity				
Share capital in the beginning of the financial period	**4,647**	**3,174**	**4,647**	**3,174**
Bonus issue in connection with merger		1,473		1,473
Share capital 31 Dec.	**4,647**	**4,647**	**4,647**	**4,647**
Share premium fund in the beginning of the financial period	65,861	64,221	65,818	2,040
Adjusting the impact of merger			44	
Impact of merger		3,114		65,251
Bonus issue in connection with merger		-1,473		-1,473
Capital transfer tax	167		167	
Share premium fund 31 Dec.	**66,029**	**65,861**	**66,029**	**65,818**
Retained earnings according to the opening balance	16,811	17,075	8,557	
Adjusting the impact of merger			-44	
Purchase of own shares	-399		-399	
Dividend paid		-334		
Translation differences and other changes	-266	81		
Impact of merger				8,166
Result from the financial period of 31 March-31 Dec., 2001		-11		390
Result from the financial period of 1 Jan.-31 Dec., 2002	-14,325		-8,933	
Total 31 Dec.	**1,820**	**16,811**	**-819**	**8,557**
Shareholders' equity 31 Dec.	**72,496**	**87,320**	**69,857**	**79,022**

The nominal value of the shares is EUR 0.08 in 31 Dec. 2002.

Unrestricted equity

Retained earnings 31 Dec.	1,820	16,811	-819	8,557
The portion of accumulated depreciation difference entered under shareholders equity	-78	-821		
Unrestricted equity	1,743	15,990	-819	8,557
17. Accumulated appropriations				
Accumulated depreciation difference in the beginning of the financial period			1,156	1,573
Increase (+), decrease (-)			-1,047	-417
Accumulated depreciation difference 31 Dec.			**109**	**1,156**
18. Provisions				
Provisions in the beginning of the financial period			890	
Impact of merger				890
Decrease 2002			-890	
Provisions at 31 Dec.				**890**
19. Deferred tax liability				
Deferred tax liability				
on appropriations in the beginning of the financial period	335	391		
Increase (+), decrease (-)	-304	-56		
Deferred tax liability at 31 Dec.	**32**	**335**		
Deferred tax receivables				
in the beginning of the financial period		198		
Increase (+), decrease (-)	122	-198		
Deferred tax receivables at 31 Dec.	**122**			
20. Long-term liabilities				
Loans from financial institutions	287	286		
Pensions loans	578	621	578	621
Total	**865**	**907**	**578**	**621**
Maturity of long-term liabilities				
Time of maturity				
1–2 years	143	146	41	43
2–3 years	146	149	38	40
3–4 years	110	113	35	38
4–5 years	33	35	33	35
over 5 years	432	465	432	465
Total	**865**	**907**	**578**	**621**

BALANCE SHEET, EUR 1,000	Group Dec. 31,2002	Group Official Dec. 31,2001	Parent company Dec. 31,2002	Parent company Official Dec. 31,2001
Non interest bearing long-term and short-term liabilities				
Non interest bearing long-term liabilities	7,875	9,952	13,612	13,189
Deferred tax liability	32	335		
Total	**7,907**	**10,287**	**13,612**	**13,189**

21. Short-term liabilities

From companies belonging to the Group				
Accounts receivables			5,443	4,871
Accrued liabilities and deferred income			2,074	
Total			**7,518**	**4,871**
Short-term liabilities to others				
Loans from financial institutions		96		
Pension loans	43	47	43	47
Advanced received	818	773	818	773
Accounts payable	1,172	1,801	819	1,184
Other liabilities	743	1,252	397	787
Accrued liabilities and deferred income	5,143	6,127	4,060	5,574
Total	**7,918**	**10,095**	**6,137**	**8,364**
Short-term liabilities total	**7,918**	**10,095**	**13,655**	**13,236**
Accrued liabilities and deferred income				
Wages and salaries and other employee payments	2,447	2,935	2,115	2,647
Agent commissions	625	820	625	820
Project reservations	1,046	1,593	1,046	1,593
Other	1,024	779	2,348	514
Total	**5,143**	**6,127**	**6,134**	**5,574**

The new Tecnomen Corporation is liable for the liabilities of the old Tecnomen Corporation that were incurred before the merger came into effect.

22. Contingent liabilities

Debts with mortgages on property as security				
Real estate mortgages	722	722		
	722	**722**		
Pledges given to cover other own commitments				
Real estate mortgages	1,261	631	1,261	631
Mortgages and company assets	235	235	235	235
	1,497	**866**	**1,497**	**866**
Other own liabilities				
Leasing liabilities	1,161	1,747	451	324
With due date in the current financial year	600	702	250	150
With later due date	561	1,045	200	174
Pledges				
On own behalf	1,424	2,858	1,424	2,858
Other liabilities	50	78	50	78
	2,635	**4,683**	**1,925**	**3,260**

23. Values of underlying instruments of derivative contracts

Currency forward contracts				
Market value	11,009	12,141	11,009	12,141
Value of underlying instruments	11,873	11,955	11,873	11,955
Currency options				
Market value		1,135		1,135
Value of underlying instruments		5		5

Management of financial risk

The Group's financial risks comprise currency, interest and liquidity risks. The Group's principle is to hedge itself against the possible negative impact of such risks on profit and balance sheet items. Risk management relating to currencies and counterparties in connection with normal business transactions is a part of the Group's operational activities. The Group's financial activities are centralised in the Parent Company.

The Group has not hedged the shareholders' equity of its subsidiaries outside Finland.

The Group has no foreign currency denominated loans in Finland. Currency positions consist of receivables and liabilities by currency, as well as off balance sheet purchasing and sales commitments. The net positions are primarily hedged by means of forward contracts and options. Currency derivative contracts are generally for a maximum of one year. The currency risk has mainly been caused by changes in the rates of euro and US dollar.

Liquid funds are invested prudently to ensure that the Group retains the capability to make investments and acquisitions. Funds are invested in money market deposits.

Key financial indicators

	pf 2002	2001 pf Jan. 1–Dec. 31	2001 Official March 31–Dec. 31	pf 2000	pf 1999	pf 1998
Income Statement						
Net sales, EUR million	39.9	57.1	42.2	66.4	50.7	40.3
change, %	-30.2	-13.9		30.8	25.8	2.2
Operating profit, EUR million	-14.1	-1.5	-2.0	5.5	1.2	-4.5
% of net sales	-35.5	-2.7	-4.6	8.2	2.4	-11.1
Profit before extraordinary items, EUR million	-14.6	0.6	-0.1	5.8	0.4	-5.6
% of net sales	-36.7	1.1	-0.2	8.8	0.8	-14.0
Profit before minority and taxes, EUR million	-14.6	0.6	-0.1	5.8	0.4	0.0
% of net sales	-36.7	1.1	-0.2	8.8	0.8	-0.1
Balance Sheet						
Fixed assets, EUR million	11.4		12.8	13.3	12.3	12.3
Current assets						
Inventories, EUR million	3.6		3.3	2.5	1.8	2.2
Receivables, EUR million	66.3		82.5	84.6	37.0	34.9
Shareholders' equity, EUR million	72.5		87.3	85.5	15.6	15.5
Minority interest, EUR million	0.0		0.0	0.1	0.1	0.1
Liabilities						
Long-term liabilities, EUR million	0.9		1.2	1.8	21.2	2.0
Short-term liabilities, EUR million	7.9		10.1	13.0	14.2	31.9
Balance sheet total, EUR million	81.3		98.7	100.4	51.1	49.4
Financial indicators						
Return on equity (ROE), %	-17.9	0.6	0.0	7.8	1.1	-35.6
Return on investment (ROI), %	-18.0	0.9	0.1	10.4	3.6	-13.0
Equity ratio %	90.1	89.2	89.2	86.1	31.1	31.8
Debt/Equity (gearing) ratio, %	-46.6	-45.8	-45.8	-51.3	136.8	138.3
Investments, EUR million	2.2	3.3	2.4	4.5	2.7	2.8
% of net sales	5.5	5.9	5.7	6.7	5.3	7.0
Research and development, EUR million	11.2	15.7	12.0	15.2	10.7	8.3
% of net sales	28.0	27.5	28.4	22.9	21.0	20.7
Order book, EUR million	10.4	4.4	4.4	10.7	11.4	3.0
Personnel, average	520	559	567	484	423	399
Personnel, at the end of year	457	556	556	518	421	410
Key ratios per share						
Earnings per share, EUR	-0.25	0.01	0.00	0.07	0.00	-0.10
Equity per share, EUR	1.26		1.50	1.47	0.27	0.27
Adjusted number of shares at the end of and during the year, 1,000 shares	58,093		58,093	58,093	58,093	58,093
Number of shares on average, 1,000 shares	58,093		39,742	58,093	58,093	58,093
Number of own shares, 1,000 shares	400					
Share price trend, EUR						
Average price	0.97		1.89	8.15**		
Lowest price	0.49		0.98	4.30**		
Highest price	2.10		3.93	10.89**		
Share price at the end of year, EUR	0.51		1.81*	4.70**		
Market value of share capital at the end of year, EUR million	29.6		105.1*	235.4**		
Share turnover, million shares	24.3		5.1	12.4**		
Share turnover, % of total number	41.8		12.8	24.7**		
Share turnover, EUR million	23.6		9.6	100.7**		
Dividend per share, EUR				0.025**		
Dividend/Result, %				29.04**		
Effective dividend yield, %				0.53**		
P/E	-2.05		-6,800.7	54.6**		

* From the first quotation date 2 Jan. 2002

** Old Tecnomen's figures from the year of 2000

pf = pro forma figures

Calculation of key indicators

Return on equity, % $= \dfrac{\text{Profit or loss before extraordinary items and tax - taxes for the financial year}}{\text{Shareholders' equity + minority interest (average)}} \times 100$

Return on Investments, % $= \dfrac{\text{Profit before extraordinary items and tax + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}} \times 100$

Equity ratio, % $= \dfrac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100$

Earnings per share (EPS) $= \dfrac{\text{Profit before extraordinary items and taxes - taxes for the financial year +/- minority interest}}{\text{Adjusted average number of shares during the financial year}}$

Dividend per share $= \dfrac{\text{Dividends distributed for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$

Dividend/result, % $= \dfrac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$

Equity/share $= \dfrac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial year}}$

Debt/equity ratio, % (gearing) $= \dfrac{\text{Net interest-bearing liabilities - cash and other liquid financial assets}}{\text{Shareholders' equity - consolidated loans}} \times 100$

Market capitalisation = Number of shares at the end of financial year x last trading price of financial year

P/E ratio, % $= \dfrac{\text{Adjusted share price at the end of financial year}}{\text{Earnings per share (EPS)}}$

Effective dividend yield, % $= \dfrac{\text{Dividend per share}}{\text{Last trading price of financial year}}$

In 1998, the company received Group contributions from companies belonging to the Kyro Group. The effect of Group contributions on key indicators is taken into account in the same way as in the income statement and balance sheet of the relevant financial year.

Auditors' report

To the shareholders of Tecnomen Corporation

We have audited the accounting, the financial statements, and the administration of Tecnomen Corporation for the financial period 1 January 2002 to 31 December 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on auditing. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the President and CEO of the parent company have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the 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 of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors on how to deal with the result is in compliance with the Companies Act.

Espoo, 6 March 2003

KPMG WIDERI OY AB
Sixten Nyman
Authorised Public Accountant

Corporate governance

Tecnomen conforms to current legislation and the application guideline on the administration of public listed companies issued by the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers, as recommended by the Helsinki Exchanges.

Management and supervision

Ultimate responsibility for the Group's administration and operations lies with Tecnomen Corporation's governing bodies, namely the Shareholders' Meeting, the Board of Directors and the President and Chief Executive Officer. Ultimate authority within Tecnomen Corporation is exercised by shareholders at the Shareholders' Meeting. The company also has an auditor elected by the Shareholders' Meeting.

Shareholders' Meeting

The Annual Shareholders' Meeting is the supreme decision-making body of Tecnomen Corporation and convenes once a year. The tasks of the Shareholders' Meeting are defined in the Finnish Companies Act. Some of its most important tasks are to amend the Articles of Association, approve the financial statements, decide on the dividend to be paid, discharge the members of the Board and the President and CEO from liability, elect members of the Board and the auditors and decide on their fees. The Annual General Meeting of Shareholders is held each year before the end of May on a date determined by the Board of Directors. The Shareholders' Meeting is held in the company's domicile, Espoo or, if the Board of Directors so decides, in Helsinki.

Board of Directors

Tecnomen's Board of Directors consists of a minimum of three and maximum of seven members, as stated in the Articles of Association. The Annual General Meeting confirms the number of members. The period of office of a member expires at the end of the third Annual General Meeting after the member has been elected, after which he or she may be re-elected. The period of office of all current Board members expires at the 2004 Annual General Meeting. No person who is 67 years of age or older may be elected to the Board.

As stated in the Articles of Association, the Board of Directors elects from among its members a Chairman and Vice Chairman for a term of one year at a time. A meeting of the Board of Directors constitutes a quorum if more than half of its members are present. Matters are decided by a simple majority vote. In the event of a tied vote, the Chairman casts the deciding vote.

The tasks and responsibilities of Tecnomen Corporation's Board of Directors are defined in the Finnish Companies Act and other applicable legislation, according to which the Board of Directors is responsible for the necessary organisation of business operations and corporate administration. The members of the Board have no separate division of duties or areas of responsibility or other special duties apart from those designated by law. The Board of Directors has supreme authority in all corporate affairs that are not designated by law or the company's Articles of Association for decision or execution by other governing bodies.

Matters of major importance for the group are considered by the company's Board of Directors. These include strategic policies, budget and operational plans for the group and monitoring their implementation, corporate structure, company acquisitions, major investments, human resources and remuneration policies, internal supervision systems within the group, and risk management. The Board is also responsible for the appropriate organisation of the supervision of the company's accounting and the management of its assets. At its meetings the Board regularly considers reports on the group's financial performance and operations presented by the President. It is also the task of the Board to prepare matters for consideration at the Shareholders' Meeting, to call the Shareholders' Meeting and to ensure that the decisions of the Shareholders' Meeting are carried out.

The Board's actions in all situations shall be in the best interests of the company. The Board shall assess its operating procedures once a year, and if necessary more frequently. The goal of the Board is to provide guidelines for the company's operations so that in the long term they generate the best possible return on the capital invested in the company.

The Board may form from its members permanent committees or committees to carry out specific tasks and specify their working procedures. These committees shall report on their activities to the whole Board. At present the Board has two permanent committees: the compensation committee and the development and monitoring committee. Both committees have three members. The compensation committee decides on appointments and remuneration for top management and on remuneration systems. The task of the development and monitoring committee is the strategic development of the company and the monitoring of financial performance. When necessary the Chairman of the Board, the Vice Chairman and the President prepare certain matters together for Board meetings. Final decisions on the proposals of all committees are made by the Board. The Board and committees also meet with other members of company management as necessary.

Tecnomen's Board of Directors met 15 times in 2002.

Information about the members of the Board is on page 41 and also on the Internet at www.tecnomen.com

President and Chief Executive Officer

Tecnomen has a President and CEO who is selected by the Board of Directors. Vesa Helkkula has been President and CEO since 1999. During 2001, a restructuring took place at Tecnomen Corporation, and as a result Heikkula has been President and CEO of the new Tecnomen since 2001.

A written management agreement has been prepared for the President and CEO. The retirement age for the President and CEO is 60.

The task of the President and CEO is to manage and develop the company's operations as defined in the Finnish Companies Act and in the guidelines and instructions given by the Board of Directors. The President and CEO is responsible for ensuring that the accounting of the company is in compliance with the law and that the assets of the company are reliably managed. The President and CEO is also responsible for investor relations, corporate communications, long-term strategic and financial planning, and for major operational decisions and for supervising their implementation. The President and CEO prepares matters to be considered at the meetings of the Board. The President and CEO reports to the Board.

Management Board

Tecnomen has a Management Board with nine members. The Management Board consists of the President and CEO, who also acts as Chairman, and those who are in charge of the business areas and key corporate support functions. The Management Board meets monthly. The Management Board prepares issues for consideration by the Board of

Board of Directors

Chairman of the Board
Lauri Ratia, born 1946, MSc (Eng.).
Member of Tecnomen Corporation's Board of Directors since 2001
Period of office ends 2004
President and CEO of Lohja Rudus Corporation, Finland 1994–
Member of Board of Olvi Plc 1999–
Member of Board of VR-Track Ltd 2001–
Member of Board of Paloheimo Oy 2002–
Member of Board of Stala Group 2002–
Chairman of Confederation of Finnish Construction Industries RT 2003–
Member of Executive Committee of the Board of the Confederation of Finnish Industry and Employers 2003–
Member of Hallitusammattilaiset ry (Board professionals)
Tecnomen shares: 6,000

Vice Chairman of the Board
Keijo Olkkola, b. 1939, MSc (Eng.).
Member of Tecnomen Corporation's Board of Directors since 2001
Period of office ends 2004
Tecnomen shares: 9,863

Members of the Board
Lars Hammarén, b. 1942, BSc (Eng.)
Member of the Board of Tecnomen Corporation since 2001
Period of office ends 2004
Member of Board of Kyro Corporation 1982–
Chairman of Board of Oy Hammaren & Co Ab 1984–
Chairman of Board of Oy Arnala Ab 1996–
Member of Board of Oy Westwood Ab 1997–
Tecnomen shares: 2,264,300

Carl-Johan Numelin, b. 1937, MSc (Eng.)
Member of the Board of Tecnomen Corporation since 2001
Period of office ends 2004
Chairman of Board of Kyro Corporation 1996–
Tecnomen shares: 57,108

Christer Sumelius, b. 1946, MSc. (Econ.)
Member of the Board of Tecnomen Corporation since 2001
Period of office ends 2004
President of Investsum Ab 1984–
President of SE–Center Oy 1988–
Member of Board of Kyro Corporation 1996–
Tecnomen shares: 1,354,380
(in direct ownership 400,280)

Timo Toivila, b. 1950, MSc (Eng.)
Member of the Board of Tecnomen Corporation since 2001
Period of office ends 2004
Member of Board of Nethawk Oyj 2001–
Tecnomen shares: 0

Hannu Turunen, b. 1957, MSc (Eng.), MBA
Member of the Board of Tecnomen Corporation since 2001
Period of office ends 2004
Chairman of the Board of Stonesoft Corporation, Finland 2000–
Tecnomen shares: 197,261
(in direct ownership 0)

Secretary to the Board, not a Board member:
Kristiina Hoppu, LLM
Leading Legal Counsel at Tecnomen Corporation.

Directors. The task of the Management Board is to support and assist the President and CEO, to supervise and develop the company's operations in accordance with set strategies and objectives, to monitor the common human resources policy and remuneration system, to distribute information and to manage relations with stakeholder groups. When necessary the Management Group also meets in a broader-based format, when other management personnel appointed by the group attend the meetings.

Control and reporting system

Control and supervision of the operations of Tecnomen Group are based on planning and reporting systems at different levels of the hierarchy. The long-term planning of the company's business is controlled in accordance with corporate-level strategic plans that are updated twice a year. These strategic plans are approved by the company's Board of Directors. Half-year plans covering the group's various business areas and key support functions are drawn up from the strategic plans. The degree to which goals are being met and business risks are monitored at the corporate level and by the Board through the monthly reporting system. The monthly reports contain an account of actual achievement and a forecast for the coming month.

The asset, interruption of operations, third-party liability and indemnity risks arising from the group's business operations are covered comprehensively by insurance. Supervision of financing risks takes place centrally in the group's finance department. The company's Board has ultimate responsibility for the accounting of the company and for the supervision of the management of the company's assets. It is the task of the President and CEO to implement the accounting and control and reporting systems in practice.

Management salaries, fees and other benefits

Fees, salaries and other benefits paid to the members of the Board of Directors and the President and CEO in 2002 totalled EUR 311,558.72.

The company has not granted loans to members of the Board or of the Management Board nor has it given guarantees for them.

Audit

The task of the statutory audit is to examine the financial statements and the information they give about the company's result and financial position for the financial period ended. The company has one auditor. The period of office for the auditor is the company's financial period and the auditor's task ends at the close of the Annual General Meeting following the auditor's election. Tecnomen's auditor is KPMG Wideri Oy Ab, and the responsible auditor is APA Sixten Nyman.

The company's insiders

Tecnomen observes the Guidelines for Insiders drawn up by the Helsinki Exchanges. The company's statutory insiders are the members of the Board of Directors, the President and CEO, and the auditor. Tecnomen has also defined as permanent insiders persons who in their work regularly obtain information that may have a significant impact on the value of the company's shares. They are governed by the same restrictions on trading and the same obligation to disclose information as the company's statutory insiders. The company holds its insider register in the SIRE system maintained by the Finnish Central Securities Depository Ltd. In addition Tecnomen maintains insider registers for individual projects as necessary.

Management Board

Vesa Helkkula, b. 1959, MSc (Eng.), MBA
President and CEO
Employed at Tecnomen since 1999
Tecnomen shares: 50,143

Sari Aapola, b. 1961, MSc (Econ.)
VP, Marketing and Customer
Relation Development
Employed at Tecnomen since 2000
Tecnomen shares: 324

Froste Ahlfors, b. 1949, MSc (IT)
VP, Personnel and Administration
Employed at Tecnomen since 1998
Tecnomen shares: 216

Paul Fitzgerald, b. 1959, BSc (Eng.)
Managing Director, Tecnomen Ltd, Ireland,
Logistics and Manufacturing
Employed at Tecnomen since 1991
Tecnomen shares: 128,476

Jukka Hurri, b. 1959, BSc (Eng.), MBA
VP, Messaging Solutions
Employed at Tecnomen since 1998
Tecnomen shares: 68,906

Riitta Järnstedt, b. 1968, MSc (Econ.)
CFO
Employed at Tecnomen since 1995
Tecnomen shares: 432

Timo Kangas, b. 1961, BSc (Eng.)
Director, IN and Paging Solutions
Employed at Tecnomen since 1994
Tecnomen shares: 9,340

Kai Kauto, b. 1966, MSc (Eng.)
VP, Global Sales
Employed at Tecnomen since 1997
Tecnomen shares: 51,271

Timo Ruoho, b. 1965, MSc (Eng.)
VP, Technology and Operations
Development
Employed at Tecnomen since 1996
Tecnomen shares: 34,858

Shares and shareholders

Shares and share capital

Tecnomen has a single share series and all shares hold equal voting rights.

According to its Articles of Association, Tecnomen has a minimum capital of EUR 2,000,000 and a maximum capital of EUR 15,000,000, and the share capital can be increased or decreased within these limits without having to amend the Articles of Association. On 31 December 2002 Tecnomen had a share capital of EUR 4,647,406.24 that was fully paid and registered in the trade register and 58,092,578 shares, of which the company held 400,000. Tecnomen's share has a nominal value of 8 cents. 99.94 per cent of the company's shares are entered in the book-entry securities system maintained by the Finnish Central Securities Depository.

Quotation of shares

Tecnomen's shares are quoted on the Helsinki Exchanges. The company's trading code is TEN1V and the trading unit is 200 shares.

Authorisation of the Board of Directors to purchase and dispose of the company's own shares

Tecnomen's Annual General Meeting of Shareholders on 11 April 2002 decided to authorise the Board of Directors to purchase and dispose of the company's own shares. The shares may be used as consideration in company acquisitions, in purchasing assets relating to the company's business operations or in making other arrangements for developing the company's business, in consolidating the company's capital structure, to cover the social security costs arising from stock options, or as part of the company's remuneration or incentive schemes, or otherwise for resale issuance or for invalidation in a manner and to an extent to be decided by the Board. The company may purchase at most 2,904,628 shares, or five (5) per cent of the company's total share capital, using distributable funds. The authorisation is in force until the 2003 Annual General Meeting, however at most until 11 April 2003.

During the review period, on the basis of the authorisation given by the Annual General Meeting the company purchased 400,000 of the company's own shares on the Helsinki Exchanges in the period 22 May–5 July 2002, with a total purchasing price of EUR 398,692. The purchased shares represent 0.69 per cent of the company's total share capital and of its voting rights. The lowest purchasing price was EUR 0.84, the highest was EUR 1.08, and the average price was EUR 0.99.The shares purchased have a combined nominal value of EUR 32,000. The purchase of the company's own shares had no significant impact on ownership and voting rights in the company. The shares held by the company have no voting rights and no dividend is paid for them.

During the review period the Board has not disposed of the company's own shares.

Authorisation of the Board of Directors to increase the company's share capital

Tecnomen's Annual General Meeting of Shareholders on 11 April 2002 decided to authorise the Board of Directors to decide on raising the company's share capital by a maximum of EUR 601,481.20, corresponding to 7,518,515 new shares, in one or more issues by issuing new shares and/or convertible bonds and/or stock options, disapplying the pre-emptive subscription rights of shareholders.

The authorisation can be used to carry out company acquisitions or other arrangements to develop the company's business operations, to finance investments, to reinforce the company's capital structure, to cover the social security costs arising from share options, or to set up a remuneration or incentive scheme for the company. The authorisation is in force until the 2003 Annual General Meeting, however at most until 11 April 2003.

During the review period the Board has not used the authorisation to raise the company's share capital by issuing new shares, convertible bonds or stock options.

Shareholders

On 30 December 2002 Tecnomen had a total of 6,615 shareholders recorded in the book-entry securities system. Of these 6,608 were in direct ownership and 7 were nominee-registered.

On 30 December 2002 the ten largest shareholders together owned approximately 34.44 per cent of the shares and voting rights. On 30 December 2002, approximately 15.53 per cent of Tecnomen's shares were in foreign ownership, with 4.22 per cent in direct ownership and 11.30 per cent nominee-registered. The shareholder information is maintained by Finnish Central Securities Depository Ltd.

Trading and share performance

A total of 24,256,896 Tecnomen shares (EUR 23,560,482) were traded on the Helsinki Exchanges during the period 2 January – 30 December 2002, or 2.39 per cent of the total number of shares. The highest share price quoted in this period was EUR 2.10 and the lowest was EUR 0.49. The average quoted price was EUR 0.97 and the closing price on 30 December 2002 was EUR 0.51. The share stock had a market value of EUR 29,627,215 at the closing price.

During 2002 the HEX General Share Index fell 34.41 per cent (5,775.37 on 30 December 2002) and the portfolio index fell 16.68 per cent.

Taxable value of shares in Finland

The taxable value of Tecnomen shares in Finland for the fiscal year 2002 has been confirmed at EUR 0.37 per share.

Obligation to redeem shares

According to Article 15 of Tecnomen's Articles of Association, a shareholder whose holding reaches or exceeds 33 1/3 per cent or 50 per cent of all the company's shares or of the voting rights held by the shares, is obliged, at the request of other shareholders, to redeem their shares and securities entitling holders to shares, on terms specified in more detail in Article 15 of the Articles of Association.

Shareholdings of the Board of Directors and Management

On 30 December 2002 the total number of shares owned by the members of Tecnomen's Board of Directors and the President and CEO was 3,939,055 which includes the shares owned by these persons themselves, by minor children and by companies in which they hold a controlling interest. Altogether these represent 6.78 per cent of the total share capital and voting rights.

On 30 December 2002 the total number of shares owned by the members of Tecnomen's Management Board, excluding those owned by the President and CEO, was 293,823, which includes the shares owned by these persons themselves, by minor children and by companies in which they hold a controlling interest. Altogether these represent 0.51 per cent of the total share capital and voting rights.

Stock options held by management and Board members

A total of 200,000 stock options were issued to members of the Board of Directors and the President and CEO under the 2002 stock option scheme. On the basis of these stock options, Tecnomen's share capital can rise by EUR 16,000 and the number of shares by 200,000. The shares subscribed on the basis of the stock options would correspond to 0.34 per cent of the total share capital and voting rights after subscription.

A total of 290,000 stock options were issued to members of Tecnomen's Management Board, excluding the President and CEO, under the 2002 stock option scheme. On the basis of these stock options, Tecnomen's share capital can rise by EUR 23,000 and the number of shares by 290,000. The shares subscribed on the basis of the stock options would correspond to 0.5 per cent of the total share capital and voting rights after subscription.

Shareholder agreements

Tecnomen has no knowledge of shareholder agreements relating to the ownership of the company or to the use of voting rights.

2002 stock option scheme

Tecnomen's Annual General Meeting on 11 April 2002 decided on a new stock option scheme for key personnel and members of the Board of Tecnomen Group. A total of 4,100,000 stock options are issued that entitle holders to subscribe to a total of 4,100,000 Tecnomen Corporation shares. As a result of subscriptions with the 2002 stock options, the company's share capital can rise by a maximum of EUR 328,000. The stock options are divided into 2002A (400,000), 2002B (1,200,000), 2002C (1,200,000) and 2002D (1,300,000) stock options.

The terms of the 2002 stock option scheme specify the number of stock options granted to the Board of Directors. According to the terms of the stock options, Tecnomen's Board of Directors is authorised to allocate the stock options to the group's key personnel. Under the authorisation received

Major shareholders 30 December 2002

	No. of shares	% of shares and votes
Nordea Bank Ltd*	5,821,715	10.02
Sampo Life Insurance Company Ltd.	3,083,400	5.31
Hammaren Lars-Olof	2,264,300	3.90
Sumelius Henning	2,022,300	3.48
Geveles AB	1,952,092	3.36
Sumelius Johanna Marina	1,122,400	1.93
Svenska Handelsbanken Filialkontoret	1,056,200	1.82
Oy Investsum AB	954,100	1.64
Suutarinen Helena, Deceased, Estate	901,200	1.55
Gyllenberg Small Firm Fund	833,575	1.43
Total	20,011,282	34.44

* Nominee registrations

Division of shares 30 December 2002

No. of shares	No. of shareholders	%	No. of shares	%
1–500	3,601	54.44	795,254	1.37
501–1 000	1,075	16.25	819,985	1.41
1 001–5 000	1,315	19.88	3,062,886	5.27
5 001–10 000	250	3.78	1,866,230	3.21
10 001–50 000	228	3.45	5,211,938	8.97
50 001–100 000	47	0.71	3,333,089	5.74
100 001–500 000	81	1.22	17,729,192	30.52
500 001–	18	0.27	25,236,404	43.44
Joint book-entry account			37,600	0.06
Total	6,615	100.00	58,092,578	100.00

Trading of shares and average share price
2 April 2001 – 30 December 2002

from the Annual General Meeting, the company's Board has allocated stock options to key Group personnel. A total of 396,000 2002A stock options and 377,000 2002B stock options were allocated to key Tecnomen personnel. In accordance with the decision of the Annual General Meeting, a total of 100,000 2002B stock options were allocated to members of the Board of Directors. The remaining stock options were issued to Tecnomen Japan Oy (a wholly owned subsidiary of Tecnomen Corporation) for allocation at a later date. Tecnomen Japan Oy functions as a holding company for the stock options and at present has no other business operations.

The share subscription price for stock options 2002A and 2002B is the Tecnomen trade volume weighted average share price on the Helsinki Exchanges between 1 March and 31 March 2002, i.e. 1.68 euros; for stock options 2002C, the Tecnomen trade volume weighted average share price on the Helsinki Exchanges between 1 March and 31 March 2003; and for stock options 2002D, the Tecnomen trade volume weighted average share price on the Helsinki Exchanges between 1 March and 31 March 2004. Dividends that have been decided on in the time between the start of the period for determining the subscription price and the date of subscription shall be deducted from the subscription price. The share subscription period for stock options 2002A shall be 1 April 2003–30 April 2006, for stock options 2002B 1 April 2004–30 April 2007, for stock options 2002C 1 April 2005–30 April 2007 and for stock options 2002D 1 April 2006–30 April 2008.

Ownership structure by sector 30 December 2002

	No. of shares	%
Private companies	7,248,482	12.48
Finance and insurance companies	18,353,488	31.59
Public sector	949,595	1.63
Non-profit making organisations	984,708	1.70
Households	28,065,012	48.31
Foreign holders	2,453,693	4.22
Total	58,054,978	99.94
Joint book-entry account	37,600	0.06
Shares issued	58,092,578	100.00
Nominee registrations	6,566,047	11.30

List of investment analysts

The banks and brokers listed below are among those actively monitoring Tecnomen Corporation as an investment. Tecnomen Corporation cannot be held responsible for the ratings or recommendations published by them.

ABG Sundal Collier, Marion Björkstén
+44 20 7905 5611
marion.bjorksten@abgsc.co.uk

Aktia Securities, Paavo Ahonen
+358 10 247 6581
paavo.ahonen@aktia.fi

D. Carnegie Ab Finland, Raoul Konnos
+358 9 6187 1233
raoul.konnos@carnegie.fi

Enskilda Securities AB, Finland, Mika Mikkola
mika.mikkola@enskilda.fi

Evli Bank Plc, Karri Rinta
+358 9 4766 9641
karri.rinta@evli.com

Kaupthing Sofi, Mika Metsälä
+358 9 4784 0241
mika.metsala@sofi.com

FIM Securities Ltd, Hannu Rauhala
+358 9 6134 6310
hannu.rauhala@fim.com

Mandatum Stockbrokers Ltd, Mikael Ilmari
+358 10 236 4708
mikael.ilmari@mandatum.fi

Nordea Securities, Janne Rantanen
+358 9 3694 9317
janne.rantanen@nordeasecurities.com

Opstock Investment Banking, Pekka Suhonen
+358 9 404 4415, pekka.suhonen@oko.fi

OsakeTieto, Timo Heinonen
+358 9 6811 9920
timo.heinonen@osaketieto.com

Information for shareholders

Annual General Meeting

The Annual General Meeting of Tecnomen Corporation will be held at 3 p.m. on Tuesday 25 March 2003 in Adams Hall, Erottajankatu 15-17, Helsinki, Finland. Shareholders who are registered on Friday 14 March 2003 in the register of shareholders maintained by the Finnish Central Securities Depository Ltd or who according to Chapter 3a, Section 4, paragraph 2 of the Companies Act, have the right to participate in the Annual General Meeting of Shareholders.

Shareholders wishing to attend the Annual General Meeting are requested to inform the company by 3 p.m. on Tuesday 18 March 2003, by letter to Tecnomen Corporation, Tuija Kerminen, P.O. Box 93, 02271 Espoo, Finland, by telephone +358 9 8047 8767, fax +358 9 8047 8212 or by e-mail info@tecnomen.com.

Possible letters of authorisation should be sent to the address mentioned above before the end of the registration period.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial period that ended on 31 December 2002 and that the loss for the year be transferred to the retained earnings account.

Financial publications in 2003

- Interim report 1 Jan–31 March 2003 29 April
- Interim report 1 Jan–30 June 2003 13 August
- Interim report 1 Jan–30 Sept 2003 29 October

The interim reports and annual report are published in Finnish and English. These publications are available on Tecnomen's website at www.tecnomen.com and can be ordered by telephone on +358 9 8047 8027 or by e-mail from maarit.mikkonen@tecnomen.com.

Changes of address

Shareholders whose address has changed are requested to inform the book-entry securities register that holds their book-entry securities account.

Worldwide offices and addresses

EUROPE

Tecnomen Corporation
P.O. BOX 93
(Finnoonniitynkuja 4)
FIN-02271 Espoo
Finland
Tel. +358 9 804 781
Fax +358 9 804 78 301

Tecnomen Vaasa
Wolffintie 36 M 10
FIN-65200 Vaasa
Finland
Tel. +358 6 318 28 86 or
+358 40 551 77 59
Fax +358 6 318 28 87

Tecnomen GmbH
Am Lachengraben 7
D-63303 Dreieich
Germany
Tel. +49 6103 5085 0
Fax +49 6103 5085 10

Tecnomen Benelux
Zandrak 101
2924 BC Krimpen aan den Ijssel
The Netherlands
Tel. +31 180 580 465
Fax +31 180 580 466

Tecnomen Ltd
Shannon Industrial Estate
County Clare
Ireland
Tel. +353 61702 200
Fax +353 61702 201

Tecnomen Spain
Calle Real, 6 - 1°
28770 Colmenar Viejo (Madrid)
Spain
Tel. +34 918 486 208
Fax +34 918 486 203

LATIN AMERICA

Tecnomen Brasil
Av. Eng. Luiz Carlos Berrine,
1500 cj. 72
Brooklin Novo São Paulo - SP,
Cep 04571 000
Brasil
Tel. +55 11 5505 9774
Fax +55 11 5505 9778

MIDDLE EAST, AFRICA

Tecnomen Middle East
RA 08 SC 06/Jebel Ali Free Zone
Dubai
United Arab Emirates
Tel. +971 4 88 38 268
Fax +971 4 88 36 779

EAST AND SOUTHEAST ASIA

Tecnomen Corporation
Taiwan Branch
11/ F , No 6 Ho Ping East Road,
Section 1
Taipei
Taiwan
Tel. +86 2 2369 4901
Fax +86 2 2369 49 03

Tecnomen Malaysia
3rd Floor, 2300 Century Square
Jalan Usahawan, 63000 Cyberjaya
Selangor Darul Ehsan
Malaysia
Tel. +60 3 8313 6200
Fax +60 3 8313 6201

Liaison Office
Tecnomen Thailand
1023 TPS Building, 2nd Floor
Pattanakarn Road, Suanluang
10250 Bangkok
Thailand
Tel. +66 2 717 9772
Fax +66 2 717 9773

TECNOMEN

head office	Tecnomen Corp., P.O.Box 93 (Finnoonniitynkuja 4), 02271 Espoo, Finland tel. +358 9 804 781, fax +358 9 8047 8301, www.tecnomen.com
worldwide offices	Brazil
	Finland
	Germany
	Ireland
	Malaysia
	Spain
	Taiwan
	The Netherlands
	U.A.E.