Saunalahti Group Oyj Annual Report 2003

www.saunalahtigroup.com

Information for shareholders

Annual General Meeting

Saunalahti Group Oyj's Annual General Meeting for the 2004 financial year will be held at 10 a.m. on Friday, 2 April 2004, in the auditorium of the Alto building in Quartetto Business Park in Espoo. The address is Linnoitustie 4 B, 02600 Espoo.

The right to participate in the Annual General Meeting rests with a shareholder who by 23 March 2004 has been entered as a shareholder in the company's shareholder register that is kept by Finnish Central Securities Depository Ltd. Shareholders who wish to attend the Annual General Meeting must notify the company of their intention to do so by 4 p.m., 30 March 2004, at the latest, either in writing to the address Saunalahti Group Oyj, Linnoitustie 4 B, 02600 Espoo, Finland, by faxing +358 9 4243 0777 or by e-mailing susanna.ketola@saunalahtigroup.com. We request that any proxies be submitted with the notification.

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

Dividend payout

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

Financial information

Saunalahti Group Oyj will publish the following Interim Reports in 2004:

Interim Report, January–March, 6 May 2004
Interim Report, January–June, 5 August 2004
Interim Report, January–September, 4 November 2004

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

Saunalahti Group Oyj, Communications Unit, Linnoitustie 4 B, 02600 Espoo, Finland
e-mail: communications@saunalahtigroup.com, tel. +358 9 4243 0001, fax +358 9 4243 0867

Changes in personal and address information

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

Investor relations

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The best source for the latest news, events and bulletins concerning Saunalahti Group is the Internet site www.saunalahtigroup.com.

Content

Saunalahti Group Oyj's business units

Internet and Teleoperator

Saunalahti

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

EUnet Finland

EUnet Finland provides top-notch Internet subscriptions, hosting services, private network services, GSM and voice services as well as data security solutions for large and medium-sized companies and organisations.

Mobile Entertainment

Jippii Mobile Entertainment Oy

Jippii Mobile Entertainment Oy provides value-added services for mobile phones and markets services directly under its own Jippii brand.

SAUNALAHTI GROUP OYJ IN BRIEF

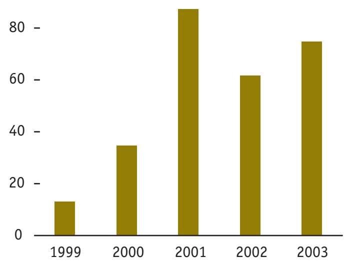
Saunalahti Group Oyj focuses on two business areas: Internet and teleoperator activities in Finland and international mobile entertainment. In Finland, the Group offers Internet and telecommunications services for consumer customers under the brand name Saunalahti and for corporate customers under the brand name EUnet Finland. The brand name Jippii is used in marketing the Group's international mobile entertainment services. In 2003, the Group's turnover was EUR 74.8 million. At the end of 2003, the Group employed 222 people. Saunalahti Group's share is quoted on the NM list of Helsinki Exchanges with the trading code SAG1V.

Saunalahti is an Internet and telecom operator offering services for both consumers and small companies. Saunalahti produces and markets its services cost-effectively – and seeks to achieve extreme efficiency in all its operations. This enables it to achieve a good service price-quality ratio for its customers. Its main distribution channel is the Internet, which is rounded out by its telephone service and a cost-effective retailer network.

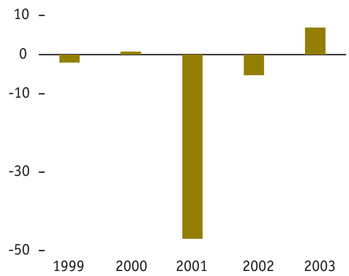
EUnet Finland provides top-notch telecom solutions, primarily for large and medium-sized companies and organisations. EUnet's competitive advantages are its expertise and uncompromising quality standards. EUnet's product range includes non-switched Internet connections, hosting services, private network services, GSM and voice services and data security solutions.

Jippii Mobile Entertainment Oy provides value-added services for mobile phones and markets services directly under its own Jippii brand. Its focus area comprises mobile entertainment applications for consumers and an online gaming community on the Jippii portals. At the end of 2003, Jippii Club, the company's entertainment portal for consumers, was active in 19 countries and was one of the leading providers of mobile entertainment services in Europe.

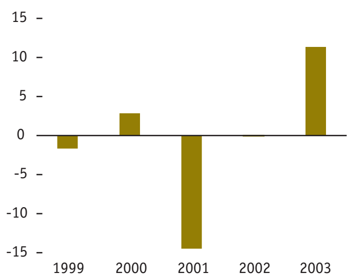
Group turnover, EUR million



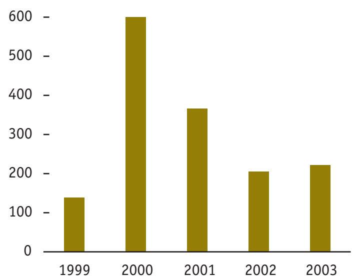
Group operating profit/loss, EUR million



Cash flow from operations, EUR million



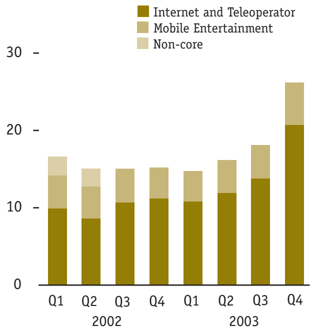
Group personnel at the end of the financial year



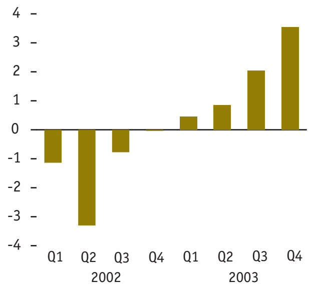
2003 IN BRIEF

- Saunalahti Group focused on the development of its two core businesses, the Finnish Internet and teleoperator business and international mobile entertainment, and strengthening the potential for profitable growth.
- The Internet and teleoperator business concentrated on:
  - The relaunch of the Saunalahti brand on the consumer market and dramatically increasing the number of GSM subscribers, especially on the basis of phone number portability.
  - Maintaining EUnet Finland's position as the leading provider of Internet connections for large and medium-sized companies while expanding the service range in information network and voice products with new Internet-based communications solutions.
- The focus areas in mobile entertainment were venturing into new countries, honing the operating model and deploying new country-specific media solutions alongside the initial Jippii portal. The service range continued to hinge on ring tones, logos and games. The transition to colour visual messages and polyphonic ring tones gathered speed.
- The incorporation of the mobile entertainment business as Jippii Mobile Entertainment Oy, a subgroup that is fully-owned by the Group's parent company, was carried out in line with plans.
- In the latter half of the year, the Group's operating efficiency continued to rise significantly thanks to the strong growth in turnover.
- The Group's profitability trend was positive, and both of the business units were profitable.
- The Group's equity ratio rose decisively due to the directed issue carried out in the summer and the conversion of convertible bonds into shares in the autumn.
- Helsinki Exchanges removed Saunalahti Group Oyj's share from the surveillance list on 23 October 2003.

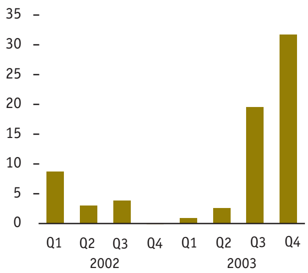
Group turnover per quarter, EUR million



Group operating profit/loss per quarter, EUR million



Group equity ratio per quarter, %
(incl. parent company's capital loans)



"Our expectations for the present year are very positive. Our much stronger competitive position, viable multi-brand strategy and increasingly firm customer relationships will enable us to increase turnover substantially and profitably."

CEO'S REVIEW

2003 was a breakthrough year for Saunalahti Group

In 2003, the Group closed the book on a dramatic period of adaptation, integration and structural changes. A phase of focusing on profitable growth began. And we successfully negotiated our way through this fundamental and challenging transition in our business operations. For this, I must thank our committed employees, who pulled together as a team, our customers and co-operation partners, who took the situation in stride, and our demanding providers of finance and shareholders.

The overall situation of the field stabilised. Signs of recovery were seen in the changeover to new technologies, of which the use of various Internet-based services is seeing the fastest progress. In the case of mobile communications, the shift to services utilising new technologies accelerated in added value services. In Internet services, the most rapidly growing consumer segment is the broadband market.

A new Communications Market Act came into force in Finland in July 2003. The portability of GSM subscription numbers stipulated in the Act had a decisive impact on our business environment. The number of Saunalahti GSM subscriptions grew by 115,000 last year, substantially exceeding our target. The strong growth had a significant effect on our customer service performance and quality. However, by means of extensive hiring in the latter part of the year, we managed to strengthen our capacity and achieved at least a satisfactory level of performance and quality in customer service.

EUnet Finland bolstered its standing as one of the leading providers and maintainers of Internet connections for medium-sized companies. The unit's service portfolio was expanded. EUnet Finland's new product packages have significant growth potential in 2004.

In mobile entertainment, the Group successfully ventured into new markets. Alongside the Jippii portal, alternative country-specific media were developed and deployed to strengthen the Group's market position. During the last quarter, significant turnover growth was achieved at long last.

In 2004, we expect growth in both of our business areas in all three customer segments – Saunalahti, EUnet Finland and Jippii.

I would like to extend my warmest thanks to all our employees and interest groups for working together so effectively during the report year, and to encourage everyone to top these achievements in 2004. As a team, we have good reason to be glad and even proud of what we have accomplished – we are on the right path!

Espoo, February 2004

Matti Vikkula

CEO

In July 2003, Saunalahti's GSM subscription sales began to rise significantly thanks to the portability of numbers. Due to the growth in the customer volume, customer service resources were tripled by the end of the year. Saana Kiviranta has helped out and given advice to Saunalahti customers for about 1.5 years and now works as the shift supervisor of the Internet team.

SAUNALAHTI

Saunalahti is an Internet and telecom operator offering services for both consumers and small companies. Saunalahti produces and markets its services cost-effectively – and seeks to achieve extreme efficiency in all its operations. This enables it to achieve a good service price-quality ratio for its customers. The R&D cycle is fast. Saunalahti reacts rapidly to market changes and launches new product concepts that are in line with its strategy faster than its competitors. Its main distribution channel is the Internet, which is rounded out by its telephone service and a cost-effective retailer network. In 2004, the key growth areas will still be GSM and ADSL connections.

SAUNALAHTI'S BUSINESS OPERATIONS

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

Internet services

Saunalahti is Finland's fifth-largest Internet operator among consumer customers. According to Taloustutkimus Oy's Internet Tracking survey, Saunalahti held a 9% share of the total market at the end of 2003. Its market share declined during 2003.

The number of modem connections contracted in 2003. The marketing focus of Saunalahti's Internet connections is non-switched connections; outlays have been centred primarily on the marketing of ADSL connections. During the report year, the number of Saunalahti's ADSL connections rose to 8,200.

Saunalahti revised its ADSL market strategy towards the end of 2003 and launched its own ADSL network in Turku and the Greater Helsinki area. Previously, in the case of ADSL connections, Saunalahti acted as a service operator in a local operator's network. In addition to ADSL connections, Saunalahti offers broadband subscriptions to residential properties (SDSL and HomePNA) and to small companies (SDSL).

GSM services

At the end of 2003, Saunalahti had close to 144,000 GSM subscribers. The number of GSM subscribers began to grow at the very beginning of 2003. During the first half of the year, the number of subscriptions rose to about 48,000, up 20,000 compared with the beginning of January. Growth gathered speed considerably at the end of July, when the new Communications Market Act passed on 25 July 2003 enabled subscribers to retain their former number when changing operators. About 80% of the new customers who signed up in the latter half of the year had changed over from other operators and had transferred their number.

Saunalahti acts as a GSM service operator in Sonera's mobile phone network. In practice, what this means for Saunalahti customers is that they have access to the same network as Sonera's GSM customers in terms of factors such as international coverage and technical quality.

Saunalahti's primary distribution channels in GSM subscription sales are the Internet, call centre and text messages, enabling the unit to maintain distribution costs at a very low level compared with other operators.

Telecom services

Telecom services include international calls and domestic long-distance calls. As from the beginning of February 2003, customers have been able to call abroad using the Saunalahti 991 prefix without pre-registration. This has also made it possible to ramp up marketing. Thanks to the changes, the volume of 991 prefix international calls more than doubled during the report year.

Domain and Hosting services

Saunalahti is Finland's largest provider of domain and webhosting services. It has about 12,000 domains, of which about 6,000 use web hotel services.

SUPPORT FUNCTIONS

Marketing

During the first months of 2003, awareness of the Saunalahti brand among consumers returned to the good level the brand enjoyed several years ago. The change of name was supported by renaming the Group's parent company to Saunalahti Group Oyj in May 2003. Marketing efforts during the report year zeroed in on GSM subscriptions and Saunalahti dramatically increased its visibility in the mass media, on TV, radio and in the print media alike. Production of marketing communications was realigned during the first quarter; from then on, the unit itself has produced its advertising from concept to ready-to-use advertising materials. This not only enables cost-effective operations, but also extremely rapid reactions to market changes.

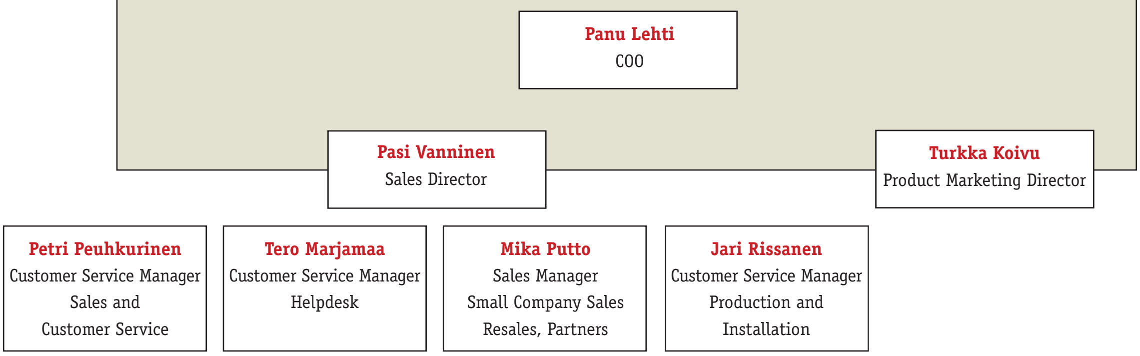
The Tasahinta (Flat Rate) subscription was launched in June 2003. It became highly popular once it became possible to retain one's own GSM number even when changing operators. During the autumn, market launches of new products and additional services were accelerated further. The Internet remained the main distribution channel, but the share of GSM and ADSL subscriptions sold by retailers grew to about 10 per cent.

Sales and Customer Service

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

Due to the rapid growth in customer volumes, Saunalahti's customer service resources were stepped up significantly during the last half of the year. The number of people working in Customer Service more or less tripled during this period and amounted to about 75 at the end of 2003.

Saunalahti's organisation



In March 2003, a new small company sales unit was established to attend to Saunalahti's new and present corporate customers. The unit had seven employees at the end of 2003. In addition, the unit has two persons who are responsible for retailer relations.

Helpdesk

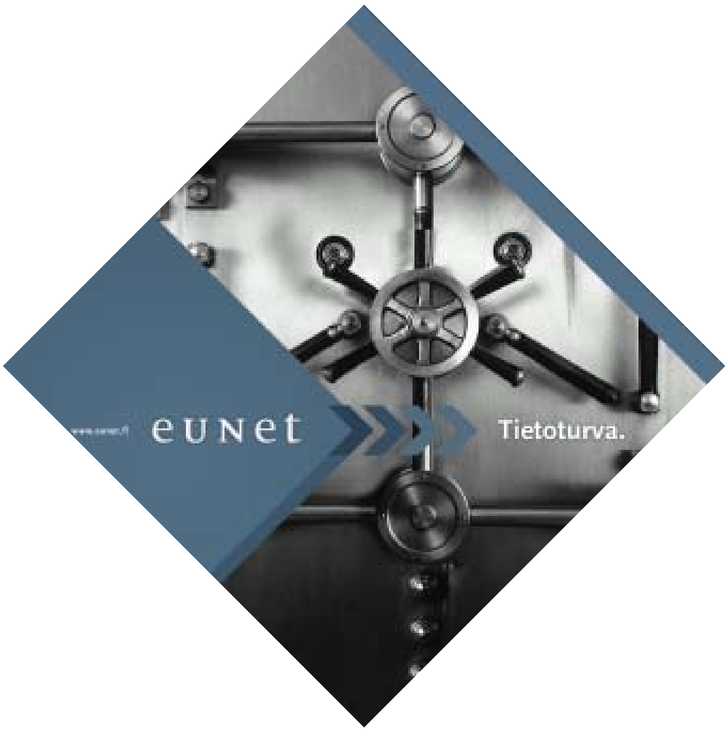
The Helpdesk unit gives Saunalahti customers assistance with the use of the company's services over the phone and e-mail as well as repairs defects found in the services. The unit's number of personnel (14) did not change during the report year.

OUTLOOK FOR 2004

Competition on the GSM market will heat up in 2004 as new service operators venture into the market. However, growth in the number of subscriptions is expected to remain good in 2004. Saunalahti can still react rapidly to market changes – often even in anticipation of such changes.

It is expected that the ADSL market will grow vigorously in Finland. The price of subscriptions implemented using Saunalahti's own network is expected to remain competitive and thus pave the way to success, especially in the largest urban areas.

A-Katsastus Oy made an extensive agreement with EUnet Finland for the delivery of a VPN-based corporate network, VoIP telephone exchange solution, data communications services and corporate GSM subscriptions between autumn 2003 and spring 2004. Among those present at the negotiations were Arja Hyppänen, A-Katsastus' Product Manager (on the left), and Katri Lehtonen, EUnet Finland's Key Account Manager.



EUNET FINLAND

EUnet Finland provides top-notch datacommunications and telecom solutions, primarily for large and medium-sized companies and organisations. EUnet's competitive advantages are its expertise and uncompromising quality standards. EUnet's product range includes non-switched Internet connections, hosting services, private network solutions, GSM and voice services as well as data security solutions.

EUnet's mission is to build high-quality datacommunications and telecom solutions cost-effectively for customer companies that demand an excellent price-quality ratio. In this effort, EUnet relies on its strong technical expertise and its innovative approach to integrating the company's own and its partners' services and products into attractive and functional service packages.

EUnet keeps itself highly informed of the needs of customers and provides innovative service packages that meet their wishes. The service packages are created from standard service products, with the total package being tailored to meet the needs of each customer. EUnet products are designed to form a seamless service package that is implemented in line with proven, standardised operating models.

The high level of service is ensured with Service Level Agreements (SLA) that set stringent criteria on the usability of the connections supplied by EUnet. EUnet appoints contact persons for each customer, and co-operation with customers is handled both flexibly and efficiently through these persons.

BACKBONE NETWORK

EUnet Finland's products and services utilise the international backbone network managed by EUnet. The backbone network connections both within Finland and those linked to Europe's major inter-connection points boast top-of-the-line capacity. All connections have been ensured with backup routing. Internationally, EUnet has made inter-connection agreements for thorough worldwide coverage. The international inter-connection points of EUnet's backbone ring network are located in Helsinki, Stockholm, Copenhagen, Oslo, Tallinn, Hamburg, Frankfurt, Amsterdam, London and New York.

EUnet's backbone network is rounded out by subscriber connections supplied by its partners in areas where it would not be expedient to build backbone connections managed by EUnet. EUnet attends to local maintenance needs by networking with the right partners. A closely-knit network of partners ensures a high level of service and short response times, even at the local level, and thus EUnet does not need to maintain numerous local business presences.

In its technical solutions, EUnet always accounts for the fact that in IP connections, bandwidth is only one of the factors affecting the actual connection efficiency. In practice, connection efficiency depends on usability, transfer delays and packet loss. The redundant backbone connections of EUnet's backbone network have been designed to ensure high connection speeds, first-rate usability of services and low packet loss. EUnet's backbone network also enables a high level of data security, because the impact of information security attacks can be minimised efficiently. The voice connections offered by EUnet also make use of the company's own backbone network.

ORGANISATION

In autumn 2003, EUnet Finland realigned its organisational structure to correspond to its enlarged range of solutions. Sales were reorganised into solution area-specific sales teams. Expertise in the solution area in question is centralised in each team. Customers are thus served by persons who have in-depth knowledge of the solution area. At the same time, a separate unit named EUnet Fulfilment was formed; it is responsible for the provision and maintenance of EUnet's services and customer service. EUnet's four sales groups are:

1. Internet Connectivity and Hosting Services

This group focuses on the provision of high-quality Internet connections and hosting services. The latter are provided to customers using EUnet's own, top of the line, resilient 1,300 m² server space in Espoo.

2. Private Networks

The Private Networks group offers solutions for linking up corporate business locations. The end-to-end solutions range from connecting several business locations to solutions covering hundreds of locations. The service always includes network and service level monitoring. The solutions can also function as a Voice over IP platform.

3. Data Security

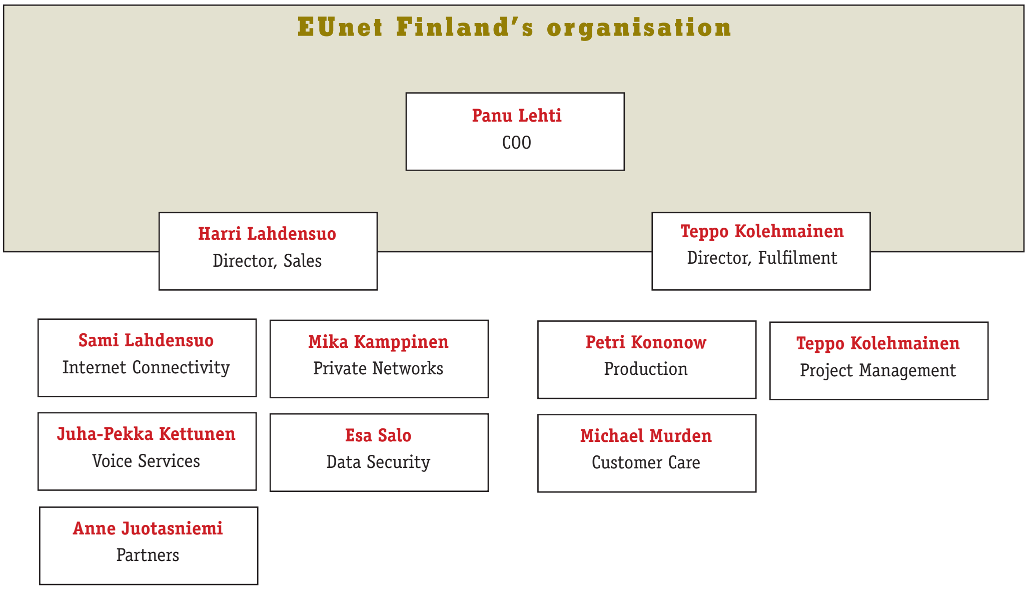
Data security is becoming increasingly important as a means of thwarting business risks. EUnet provides comprehensive data security services, from corporate data security assessments to virus prevention.

4. Voice Services

EUnet provides GSM subscription solutions and PRI ISDN connections that are especially tailored for medium-sized companies, enabling them to improve their own service level and reduce telephone expenses. EUnet Finland also offers high-quality and affordable international calls for its customer companies.

EUnet's own sales, project management, production, installation, network monitoring and helpdesk staff are entirely separate from Saunalahti's organisation, which specialises in serving private customers and small enterprises. EUnet's data communications professionals have years of experience in providing data communications connections for different environments and proven ability to carry out even the most challenging projects. In addition to its office in Espoo, EUnet has four regional sales points, which are located in Tampere, Turku, Oulu and Kuopio.

EUnet's major partners are large Finnish and international teleoperators. In Finland, EUnet works in close co-operation with companies such as TeliaSonera and Elisa and numerous local teleoperators. With its partners, EUnet continuously develops new operating and service models – which EUnet's customers benefit from in the form of even more innovative and efficient solutions. EUnet also offers maintenance services to other operators and co-ordinates the joint solutions of local telecom players.



In installation and maintenance tasks, EUnet relies on not only its own employees, but also local and nationwide companies such as YIT Primatel and Flextronics. In addition, equipment suppliers are significant partners, of which two of the most important are Cisco and Nortel.

EUNET FINLAND'S BUSINESS OPERATIONS

EUnet Finland's clientele primarily comprises medium-sized and large Finnish companies. The strength of its expertise is most evident in the number of banking, finance and IT customers that have chosen it as their service provider. Thanks to EUnet's private network solutions, the company has forged new customer relations, particularly among companies engaging in chain-based operations. In 2003, Saunalahti's largest corporate customers were transferred to EUnet Finland to ensure that they can be provided with customised services that are just right for their needs.

Traditionally, the provision of Internet connections has been EUnet's strongest business area, and the company has retained its strong market position in this area. However, the key development and growth areas in its business are Private Networks and Voice Services – the areas into which EUnet has streamed the greatest resources during the report year. EUnet predicts that its turnover focus will shift into these solution areas. It is predicted that EUnet's turnover will grow in 2004.

Jippii's most popular products are still logos, background images and ring tones. Jippii Mobile Entertainment's own graphic designers, Mika (on the left) and Petri Pryl, create graphics for the Jippii portals of 19 countries – such as logos and background images. In addition, Mika designs advertising for Jippii.

MOBILE ENTERTAINMENT

Jippii Mobile Entertainment Oy provides value-added services for mobile phones and markets services directly under its own Jippii brand. Its focus area comprises mobile entertainment applications for consumers and an online gaming community on the Jippii portals.

Jippii in 2003 – achieving profitable growth

Sweeping changes continued to take place in the mobile entertainment industry in 2003, affecting many aspects of the business environment of the field's companies. The number of WAP-based services grew thanks to the greater penetration of devices with colour screens and GPRS support. Java applications have been marketed actively and operator-specific 2.5G portals have become far more common.

In 2003, Jippii made great outlays on revitalising and further developing its business operations, and the focus of operations shifted from growth to profitability. The mobile entertainment business was incorporated on 31 December 2002. The incorporation was carried out as an intra-Group deal and was geared towards improving the manageability and transparency of the mobile entertainment business. In spring 2003, cost structures were pruned and overlapping international operations were dismantled. During the first half of the year, the company's profitability improved significantly and turnover swung into growth.

In May 2003, Access Propeller Holdings, LLC, acquired a majority stake in Jippii USA, Inc., which was renamed Downplay Inc. Jippii Mobile Entertainment Oy will remain a minority shareholder in the company and supply it with technology and content.

At the beginning of 2003, Jippii Mobile Entertainment Oy had about 60 people on its payroll. Due to factors such as the outsourcing of content production, Jippii's number of personnel declined to 48 by the end of 2003.

Jippii Club Consumer Services

At the end of 2003, Jippii Club, the company's entertainment portal for consumers, was active in 19 countries and was one of the leading providers of mobile entertainment services in Europe. The bulk of the Mobile Entertainment unit's turnover in 2003 was generated by Jippii Club's operations. Close to 90% of the turnover was generated abroad, strengthening Jippii's profile as an international player.

The portal's popularity rose steadily all year. In January, its services were used by 4 million individual visitors per month, and at the end of the year the services were already being used by over 5 million individual visitors per month. The 20 per cent growth in visitor numbers was due to continuous outlays on high-quality mobile content, the development of gaming world services and the enhancement of visitor experiences in association with members of the Jippii Club community.

The Jippii Club entertainment portal's most significant source of income is its extensive library of mobile content. Integral elements of the portal's content portfolio are its great range of chat rooms and a multiplayer Java gaming community where consumers can play and chat with each other.

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

Strategic Partners

SIEMENS/CORPORATE CUSTOMERS

Jippii's strategic co-operation with Siemens Mobile continued in 2003. The co-operation comprises an end-to-end mobile entertainment solution for the CRM portal www.My-Siemens.com. During the report year, co-operation expanded to 15 countries. From the portal, users can get mono and multichannel ring tones, operator logos and colour background images for Siemens mobile phones. The My-Siemens service range has been launched in Finland, Sweden, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Russia, Portugal, Spain, the United States, Austria, Switzerland and the UK.

As part of its service portfolio, Jippii produces websites designed in line with the customer's visual image, along with mobile content, invoicing, distribution and copyright management.

OPERATORS

SMS-based transaction invoicing was the primary invoicing channel for Jippii's mobile entertainment services in 2003. In December 2003, Jippii's invoicing channel covered over 70 GSM operators in Europe and the United States. Jippii also engaged in marketing co-operation with operators, carrying out joint text message campaigns and traditional media marketing.

Jippii Mobile Entertainment Oy's Board Of Directors

Jippii Mobile Entertainment Oy's extraordinary general meeting held on 10 December 2003 elected Jovan Ciric, Timo Lehtinen, Ari Lehtoranta, Gerald Nordberg, Ari Salmivuori and Ari Siponmaa as Board members. Ahti Vilppula is the Chairman of the Board. Most of the new members are not members of the Group's management. The appointment of a new Board of Directors for Jippii Mobile Entertainment Oy is part of Saunalahti Group's realignment process, which is geared towards emphasising Jippii Mobile Entertainment Oy's independence as a Group company as well as the transparency and clarity of its business operations.

Strategy

Jippii Mobile Entertainment Oy's objective is to operate in a profitable manner and to be one of the leading providers of mobile entertainment services in its target markets. The main market area is Europe. The products are based on the personalisation of users' mobile phones or games playing by the online/mobile community. In addition, Jippii is streaming resources into building up future potential by developing new and innovative services, utilising the features of new networks and devices.

Jippii Mobile Entertainment Oy's organisation

Rami Ryhänen
Managing Director

Nina Norberg	**Kai Keinänen**	**Jukka Meklin**	**Ville Mujunen**	**Mika Manninen**	**Hördur Bender**
Administration and Finance	Technology	Production	Product Development	Sales and Marketing Central and Eastern Europe	Sales and Marketing Western Europe

Outlook for 2004

2004 will see more changes in the mobile business. Multichannel ring tones will further increase the popularity of downloadable ring tones. Large colour screens will stimulate demand for background images, animations and operator logos as well as facilitate the development of new applications for mobile phones. Mobile Java supports sales of downloadable games.

In 2004, the aggregate market for mobile services is expected to grow compared with the previous year's level. In particular, GPRS and Java technologies enable personalised user interfaces and dynamic content for wireless devices. The US market will evolve, while the popularity of WAP-based 2.5G services will increase in Europe.

Jippii's own strong technological organisation zeroes in on the development of GPRS, Java, Real Audio and video content as well as the further development of Jippii's own portal platform. Mobile games comprise a new development area.

During 2004, Jippii Club will continue to pursue its strategy of deepening customer relationships by improving the user-friendliness of its services, providing greater latitude for personalisation and making particular outlays on CRM solutions. Jippii Club's strategy for 2004 also includes brand bolstering through traditional media marketing and the expansion of the distribution channel to encompass the most significant European 2.5G portal projects.

Business operations

In 2003, Saunalahti Group focused on the development of its two core businesses and strengthening the potential for profitable growth in the Finnish Internet and teleoperator business and international mobile entertainment.

The Internet and teleoperator business concentrated on the relaunch of the Saunalahti brand on the consumer market and dramatically increasing the number of GSM subscribers, especially on the basis of number portability. Saunalahti acts as a mobile operator and leases network capacity from TeliaSonera Oyj.

EUnet Finland's business operations focused on maintaining the unit's market position as the leading provider of Internet connections for large and medium-sized companies while expanding the service range with new Internet-based communications solutions, that is, information network and voice products. In the case of networks, the unit primarily utilises leased capacity in its operations.

The focus areas in mobile entertainment were venturing into new countries, honing the operating model and deploying new country-specific media solutions alongside the Jippii portal. The service range continued to hinge on ring tones, logos and online games. The transition to colour visual messages and polyphonic ring tones gathered speed. As from the beginning of January 2003, the mobile entertainment business has been attended to by Jippii Mobile Entertainment Oy, a subsidiary owned by the Group's parent company. The incorporation was performed as an intra-Group deal in December 2002.

Turnover and earnings trends in 2003

In 2003, the Group had turnover of EUR 74.8 million (2002: EUR 61.6 million). Of this figure, 14.0% was generated abroad (30.0%).

The Group's depreciation and value adjustments during the financial year amounted to EUR 8.3 million (2002: EUR 10.0 million). The Group's operating profit in 2003 was EUR 6.9 million (EUR -5.3 million), representing 9.2% of turnover (-8.5%).

The Group's operating profit was improved by a total of EUR 2.1 million in contractual settlements of the Internet and Teleoperator unit, which was recorded in other operating income, and EUR 0.5 million due to the standardisation of the accounting principles applied in recording Mobile Entertainment's turnover. On the other hand, operating profit was weakened by a total of EUR 0.9 million in non-recurring items.

The Group's net financial expenses during the financial period amounted to EUR 1.7 million (2002: EUR 2.1 million). Financial expenses included EUR 0.6 million in unpaid interest expenses on Convertible capital loan 2002 II.

The Group's profit before extraordinary items was EUR 5.2 million (2002: EUR -7.3 million).

The Group's net profit for the period was EUR 5.0 million (EUR -5.1 million).

Breakdown of turnover and earnings by business area (EUR million)

Business area	Turnover	Operating result
Internet and Teleoperator	56.8	8.0
Mobile Entertainment	18.2	2.1
Elimination of inter-company business transactions	-0.2	0.0
Total	74.8	10.1

The expenses of Administration amounted to EUR 3.2 million. The unit primarily serves the Internet and Teleoperator unit and attends to Group duties.

In September 2003, Saunalahti Group Oyj and Länsilinkki Oy reached a settlement in an action for damages concerning price discrimination, and Länsilinkki Oy has made a lump payment of EUR 0.5 million in compensation to Saunalahti. In addition, Saunalahti Group Oyj and Elisa Oyj reached a settlement in November 2003 in an action for damages concerning termination payments, and Elisa Oyj has made a lump payment of EUR 1.6 million in compensation to Saunalahti. The compensation has been booked as income for Saunalahti Group's Internet and Teleoperator unit, improving its profitability in 2003.

Investments

The Group's gross investments during the report period were EUR 8.6 million (2002: EUR 5.0 million), of which EUR 7.0 million (EUR 2.5 million) were intangible investments and EUR 1.6 million (EUR 2.5 million) were tangible investments. Investments exceeded depreciation by EUR 0.6 million.

Some of the Internet and Teleoperator unit's customer acquisition expenses have been capitalised as from the beginning of the 2003 financial year. During the report period, a total of EUR 5.0 million in customer acquisition expenses were set up as intangible assets in the balance sheet, of which EUR 2.4 million were marketing expenses and EUR 2.6 million other direct expenses. The depreciation periods are 18 months for GSM subscriptions and 36 months for data connections. Depreciation on these capitalised expenses amounted to EUR 0.9 million in 2003.

The Group's investments in fixed assets included in the balance sheet totalled EUR 8.6 million in 2003, representing 11.5% of turnover. In the Group, financial leasing agreements have been capitalised in fixed assets in the balance sheet, in accordance with the instructions specified in a resolution of the Ministry of Trade and Industry.

Financing

During the 2003 financial year, income financing from business operations was EUR 11.3 million (2002: EUR 0.0 million). The Group's solvency improved significantly in the latter half of the financial period due to the share issue and higher profitability.

The Group's interest-bearing liabilities declined significantly in 2003. On 31 December 2003, the Group's interest-bearing capital loans amounted to EUR 1.7 million (EUR 4.5 million), interest-bearing long-term liabilities to EUR 5.1 million (EUR 11.5 million) and interest-bearing short-term liabilities to EUR 5.4 million (EUR 7.1 million). The amount of interest-bearing liabilities, including capital loans, declined by EUR 10.9 million.

In connection with the share issue carried out in summer 2003, the payment periods of Saunalahti's liabilities were rearranged in the second quarter, whereby the payment periods of commitments amounting to slightly over EUR 4 million were extended by about two years on average.

On 31 December 2003, EUR 1.7 million remained of the Group's Convertible capital loan 2002 II.

Saunalahti Group Oyj's shareholders' equity

Saunalahti Group's net profit for the period was EUR 5.0 million and shareholders' equity including parent company's capital loans amounted to EUR 12.4 million at the end of the period. The parent company's net profit for the period was EUR 3.4 million and shareholders' equity including the capital loans amounted to EUR 11.4 million at the end of the period. The Group's equity ratio, factoring in the parent company's capital loans, was 31.7% (2002: 0.1%) on 31 December 2003.

Saunalahti Group Oyj's Annual General Meeting held on 11 April 2003 decided to lower the company's share capital, in the manner specified in the Companies Act (Chapter 6, Article 1, Paragraph 1, Subparagraph 1), by EUR 4,296,029.52 without consideration in order to cover the loss in the confirmed balance sheet in proportion to the shareholdings. The reduction of the company's share capital was registered on 8 May 2003.

At its meeting on 7 August 2003, the company's Board of Directors approved the request to partially convert into shares the Convertible capital loan 2002 II issued on the basis of the decisions taken by the company's general meeting on 8 February 2002. 800,000 new shares were issued. The increase in the share capital was registered on 26 August 2003.

Saunalahti Group Oyj's directed tender issue, which ended on 15 August 2003, was more successful than expected. The shareholders' equity was strengthened by almost EUR 4.2 million. Saunalahti Group issued 9.3 million new shares at a confirmed subscription price of EUR 0.45 per share. The funds from the share issue were utilised to bolster the growth of the company. The increase in the share capital was registered on 23 September 2003.

At its meeting on 22 August 2003, the company's Board of Directors approved the request to partially convert into shares the Convertible capital loan 2002 I floated on the basis of the decisions taken by the company's general meeting on 8 February 2002. 1,760,000 new shares were issued. The increase in the share capital was registered on 23 September 2003.

On 27 October 2003, the company's Board of Directors confirmed the partial conversion of Convertible bond 2002 into shares. Convertible bond 2002 is an equity instrument, and thus, due to the conversion, the company's shareholders' equity rose by a total of EUR 1.5 million. 3,000,000 new shares were issued. The increase in the share capital was registered on 6 November 2003.

On 1 December 2003, the company's Board of Directors confirmed the conversion into shares of the remainder of Convertible bond 2002. 3,000,000 new shares were issued. The increase in the share capital, EUR 1.5 million, was registered on 12 December 2003.

On 8 December 2003, the company's Board of Directors confirmed the partial conversion of Convertible capital loan 2002 II into shares. On the basis of the conversion, 4,700,000 new shares were issued. The increase in the share capital was registered on 29 December 2003.

Of the new shares, 9.3 million were issued on the basis of the directed tender issue and 13.3 million on the basis of the conversion into shares of the convertible bond and capital loans. On 31 December 2003, the total number of shares was 129,960,738 and the share capital was EUR 1,299,607.38.

The Board of Directors will propose to the Annual General Meeting that the share capital be increased from its present figure (as at 11 February 2004) of EUR 1,333,607.38 to EUR 6,668,036.90 by means of a bonus issue without changing the number of shares by transferring EUR 5,334,429.52 from the share premium fund to the share capital. According to the plan, the countervalue of the share will rise from 1 cent to 5 cents per share. The increase in the share capital exceeds the reduction of the share capital decided on at the Annual General Meeting held on 11 April 2003, EUR 4,296,029.52. If the company's share capital is increased before the Annual General Meeting, the total amounts of the share capital increase will change correspondingly.

Solvency

At the end of the financial year, the Group's cash and bank receivables amounted to EUR 4.3 million (2002: EUR 2.6 million). In view of the Group's business plan and existing commitments, its solvency is expected to improve during the present financial year.

Saunalahti Group Oyj's share

Saunalahti Group Oyj's share is quoted on Helsinki Exchanges' NM List. Helsinki Exchanges removed Saunalahti Group Oyj's share from the surveillance list on 23 October 2003.

Saunalahti Group Oyj's share turnover in 2003 totalled 68,729,924 shares. The highest price in trading in 2003 was EUR 1.32 and the lowest was EUR 0.24, with the closing rate being EUR 1.05. Market capitalisation on 31 December 2003 amounted to EUR 136.5 million.

Number of shares

The average number of shares in 2003 was 111,312,902.

A total of 22,560,000 new Saunalahti Group Oyj shares were entered in the Trade Register in 2003.

On 31 December 2003, the number of shares was 129,960,738 and the number of shareholders was 23,320.

Changes in the corporate structure

In September 2003, the wholly-owned subsidiaries NIC Tietoverkot Oy and Wireless Network Services WNS Oy were merged into the parent company. In December 2003, the wholly-owned subsidiary Cabinet Oy - Cabin Ab was merged into the parent company, along with the former's wholly-owned subsidiary Cabinet Internet-palvelut Oy. The mergers were part of the process of simplifying the corporate structure of Saunalahti Group's Internet and teleoperator business, which was decided on and made public in December 2002.

The aim is to primarily employ intra-Group mergers and liquidation to streamline the Group's legal structure such that all of its Internet and teleoperator business operations are carried out by the Group's parent company. The mobile entertainment business is attended to by the subgroup comprising Jippii Mobile Entertainment Oy, which is wholly owned by the parent company.

In 2003, to simplify its corporate structure, Saunalahti Group phased out a total of four Finnish subsidiaries and eleven foreign companies by means of mergers, liquidation and share deals. In addition, Jippii UK Plc and Jippii Belgium S.A were transferred by means of a share deal from Jippii Mobile Entertainment Oy to Saunalahti Group Oyj at the end of the year.

In May 2003, Saunalahti Group Oyj's subsidiary Jippii Mobile Entertainment Oy sold its majority holding in Jippii USA, Inc. to the US company Access Propeller Holdings LLC, which made a strategic investment in said company. Jippii Mobile Entertainment Oy will remain a minority shareholder in the joint venture and supply it with its core products and technology.

Jippii Mobile Entertainment Oy established a company in Iceland in October 2003. Jippii Mobile Entertainment Oy owns a majority of the shares in Interactive Iceland EHF.

In March 2003, Saunalahti Group Oyj and Capita Trust Company Limited, the landlord of Saunalahti Group's English subsidiary Constellation Internet Ltd's office premises, reached an agreement regarding the termination of Saunalahti Group Oyj's liability for the lease of Constellation's office premises. Constellation Internet Ltd was entered into liquidation in June 2002. Due to the agreement, Capita Trust Company Limited withdrew all other possible legal claims.

Extraordinary general meeting held on 11 July 2003

The extraordinary general meeting decided, in accordance with the proposal of the Board of Directors, to increase the company's share capital through a directed issue by EUR 80,000.00 at least (8 million shares) and by EUR 120,000.00 at most (12 million shares).

The shares were offered deviating from the shareholders' pre-emptive right to subscribe for shares to Auratum Oy, Herttaässä Oy, Kiinteistö Oy Helsingin Mekaanikontalo and certain other investors selected by the company's Board of Directors. These investors could be closely-associated parties of the company as defined in limited company law, and their number could be 40 at most.

Personnel and organisation

In 2003, the Group employed 197 people on average (2002: 257). At the end of the financial year, the number of employees was 222 (205).

Jukka Peltola serves as the director of the Internet and Teleoperator unit. Kimmo Hellgrén was the director of Jippii Mobile Entertainment until mid-January 2003. The Managing Director of Jippii Mobile Entertainment Oy since 1 February 2003 has been Rami Ryhänen. Jukka Virtamo was the Group's CFO until 1 November 2003, when the position was assumed by Timo Lehtinen.

Board of Directors and CEO

Saunalahti Group Oyj's Annual General Meeting, held on 11 April 2003, re-elected Pekka Vennamo, Matti Hietala, Kai Mäkelä and Rauno Puolimatka to Saunalahti Group's Board of Directors. Thomas Hoyer and Esa Kerttula were members of the Board of Directors until the end of the Annual General Meeting. Jukka Peltola and Ahti Vilppula were elected as new Board members at the Annual General Meeting. Rauno Puolimatka was elected as the Chairman and Pekka Vennamo as the Vice Chairman of the Board of Directors.

Matti Vikkula serves as the company's CEO.

Auditors

Saunalahti Group Oyj's Annual General Meeting held on 11 April 2003 elected KPMG Wideri Oy Ab, Authorised Public Accountants, as the company's auditor, with Reino Tikkanen, Authorised Public Accountant, as chief auditor.

PricewaterhouseCoopers Oy served as the company's auditor until the end of the Annual General Meeting, with Juha Tuomala, Authorised Public Accountant, as chief auditor.

Events after the date of closing

On 29 January 2004, Saunalahti Group Oyj's Board of Directors confirmed the conversion of Convertible capital loan 2002 II into shares. Based on the conversion, 3.4 million new shares will be issued at a price of EUR 0.51 per share as stated in the terms and conditions of the loan. The share capital will increase by EUR 34,000. After this conversion, Convertible capital loan 2002 II has been converted into shares in full.

Due to the conversion, the total number of Saunalahti Group Oyj's shares increases from 129,960,738 to 133,360,738 and the share capital increases from EUR 1,299,607.38 to EUR 1,333,607.38. The conversion lowers the interest-bearing capital loan by EUR 1.7 million.

Outlook for 2004

The Group's long-term objective is to achieve a market share of at least 5–10 per cent in its selected core business areas and the relevant market areas. The long-term objective is to grow at a rate outpacing market growth in the field.

In the present market conditions, the Internet and Teleoperator unit's objective for 2004 is to continue to grow buoyantly and achieve the milestone of 300,000–350,000 GSM subscriptions.

The Mobile Entertainment unit's objective for 2004 is to increase turnover profitably. The Mobile Entertainment unit's turnover objective for 2004 is EUR 28–32 million and its operating profit target is EUR 3–4 million. Efforts will be made to strengthen the unit with industrial and/or financial means. The Group's holding in the Mobile Entertainment unit may decline.

Consolidated turnover in the 2004 financial year is expected to increase substantially and to amount to EUR 140–170 million. The full-year result is anticipated to be in the black and to improve on the year now ended. The Group's operating profit is expected to be EUR 14–18 million at the annual level and improve by 100–160 per cent.

During the first quarter of 2004, turnover is forecast to be EUR 31–33 million.

The Board Of Directors' proposal to the Annual General Meeting

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

Espoo, 12 February 2004

Saunalahti Group Oyj

Board of Directors

PROFIT AND LOSS ACCOUNT

		GROUP		PARENT COMPANY	
EUR 1,000	Note	1 Jan.–31 Dec.2003	1 Jan.–31 Dec.2002	1 Jan.–31 Dec.2003	1 Jan.–31 Dec.2002
Turnover	1.1; 1.2	74,799	61,622	55,547	41,612
Share in associated company profit		-23	23		
Other operating income	1.3	2,872	1,396	2,705	4,698
Operating expenses					
Materials and services	1.4	42,491	32,242	34,640	24,171
Personnel expenses	1.5	9,296	11,967	6,882	8,970
Depreciation and value adjustments	1.7	8,270	10,042	4,953	4,216
Other operating expenses		10,693	14,044	7,214	10,163
Operating expenses, total		70,750	68,295	53,689	47,520
Operating profit/loss		**6,898**	**-5,254**	**4,564**	**-1,210**
Financial income and expenses	1.8	-1,732	-2,081	-2,048	-8,014
Profit/loss before extraordinary items and income taxes		**5,166**	**-7,335**	**2,516**	**-9,224**
Extraordinary items	1.9	-	1,753	887	1,676
Profit/loss before taxes		**5,166**	**-5,582**	**3,403**	**-7,548**
Income taxes	1.10	-143	463	-	-
Minority interest		-1	-		
Net profit/loss		5,022	-5,119	3,403	-7,548

BALANCE SHEET

EUR 1,000	Note	GROUP 1 Jan.–31 Dec.2003	GROUP 1 Jan.–31 Dec.2002	PARENT COMPANY 1 Jan.–31 Dec.2003	PARENT COMPANY 1 Jan.–31 Dec.2002
ASSETS					
Fixed assets					
Intangible assets	2.1	8,767	4,825	11,521	6,707
Goodwill on consolidation	2.1	2,607	3,626		
Tangible assets	2.1	10,473	13,318	5,857	6,131
Investments	2.2				
Shares in subsidiaries				894	3,157
Other investments		326	345	326	326
Receivables, Group companies				1,918	
Investments, total		326	345	3,138	3,483
Fixed assets, total		**22,173**	**22,114**	**20,516**	**16,321**
Current assets					
Inventories	2.5	110	136	110	133
Long-term receivables	2.6	758	632	1,597	4,189
Current receivables	2.6; 2.8	14,611	8,389	12,670	7,985
Cash and bank receivables		4,270	2,560	3,102	1,188
Current assets, total		**19,749**	**11,717**	**17,479**	**13,495**
ASSETS, TOTAL		**41,922**	**33,831**	**37,994**	**29,816**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	2.9				
Share capital		1,300	5,370	1,300	5,370
Share premium fund		10,722	2,999	10,722	2,999
Accumulated loss/retained earnings		-6,337	-8,656	-5,732	-5,025
Net profit/loss for the period		5,022	-5,119	3,403	-7,548
Capital loans		1,734	5,437	1,734	5,437
Shareholders' equity, total		**12,441**	**31**	**11,427**	**1,233**
Minority interest		**1**	**-**		
Obligatory provisions	2.11	**535**	**847**	**532**	**847**
Liabilities					
Long-term liabilities	2.12	6,018	13,082	5,488	11,858
Short-term liabilities	2.13; 2.14	22,927	19,871	20,548	15,878
Liabilities, total		**28,945**	**32,953**	**26,035**	**27,736**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**41,922**	**33,831**	**37,994**	**29,816**

CASH FLOW STATEMENT

		GROUP		PARENT COMPANY	
EUR 1,000	Note	1 Jan.–31 Dec.2003	1 Jan.–31 Dec.2002	1 Jan.–31 Dec.2003	1 Jan.–31 Dec.2002
Cash flow from operations					
Operating profit/loss		6,898	-5,254	4,564	-1,210
Depreciation according to plan and value adjustments		8,270	10,042	4,953	4,216
Net capital gains and losses from sales of fixed assets, shares and business functions		-29	-30	-24	17
Adjustments to operating profit/loss		145	-318	733	926
Change in net working capital		-2,645	-2,068	-1,024	-2,370
Dividend income		-	-	20	48
Interest received		94	121	71	120
Interest paid		-1,019	-1,670	-818	-1,565
Other financial items		-240	-826	-588	-672
Taxes		-143	-41	-	-
Extraordinary items		-	-	887	-
Cash flow from operations		**11,331**	**-44**	**8,774**	**-490**
Investments					
Investments in shares and capital loan receivables		-4	-	-800	-25
Sales of subsidiaries, less the cash assets of sold subsidiaries		-	-101	-	-
Capital gains from sales of shares		-	-	-	137
Investments in fixed assets		-8,606	-4,985	-8,355	-4,755
Capital gains from sales of fixed assets		309	634	24	634
Cash flow from investments		**-8,301**	**-4,452**	**-9,131**	**-4,009**
Cash flow before financing		**3,030**	**-4,496**	**-357**	**-4,499**
Financing					
Increase in long-term liabilities		-	-	-	-
Decrease in long-term liabilities		-3,948	-1,916	-3,257	-1,595
Increase/decrease in long-term receivables (-/+)		78	316	801	107
Increase/decrease in short-term financing (+/-)		-1,633	921	542	941
Capital loan		-	5,100	-	5,100
Share issue*		4,183	-	4,185	-
Cash flow from financing		**-1,320**	**4,421**	**2,271**	**4,553**
Change in cash assets		1,710	-75	1,914	54
Cash assets at beginning of period		2,560	2,635	1,188	1,134
Cash assets at end of period		**4,270**	**2,560**	**3,102**	**1,188**

* The share issue in the 2003 financial year includes the offsetting of EUR 0.7 million in liabilities.

Accounting principles employed in the consolidated accounts

Accounting principles

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

Principles of consolidation

The consolidated accounts include Saunalahti Group Oyj and subsidiaries that it owns either directly or indirectly (over 50% of the votes). Subsidiaries acquired during the report year are consolidated as from the time of acquisition. Companies sold during the report year are consolidated until the time of sale. All intra-Group transactions are eliminated during consolidation. Minority interest is separated from earnings and is presented as a separate item in the profit and loss account. Minority interest is also presented as a separate item in the balance sheet. Inter-company share ownership is eliminated using the acquisition cost method. In the calculation of goodwill, the Group's share of the shareholders' equity in the acquired companies is deducted from the acquisition cost. Goodwill is amortised according to plan on a straight-line basis over its economic life. The amortisation period is 5 years provided that the economic life does not exceed 5 years, but shall not exceed 10 years.

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

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

Transactions denominated in a foreign currency

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

Foreign Group companies

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

Recognition of income

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

Research and development expenditures

Research and development expenditures are recorded as expenses in the financial period during which they were incurred.

Pensions and covering pension liabilities

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

Fixed assets and depreciation

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

The depreciation periods are as follows:

Goodwill	5–10 years
Intangible rights	3–10 years
Other capitalised expenditure	3–10 years
Machinery and equipment	3–10 years

Other capitalised expenditure also includes the costs of customer acquisition. The depreciation periods are 18 months in the case of GSM subscriptions and 36 months in the case of broadband connections.

Leasing

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

Inventories

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

Income taxes

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

Social security contribution commitments arising from the granting of share options

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

Derivative contracts

The Group has no derivative contracts.

Comparability

The information on Saunalahti Group and Saunalahti Group Oyj for 2002 and 2003 is not fully comparable due to the refocusing of business operations and corporate realignments implemented in 2002.

IFRS adoption project and changeover schedule

Saunalahti Group Oyj will change over to reporting in line with International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) in its interim reports and annual accounts in 2005. Preparations for the adoption of IFRS were started up in 2003, when an IFRS project group was started up.

Assessments of different aspects of accounting were initiated to identify the differences between IFRS and Finnish Accounting Standards insofar as they apply to the accounting policy applied in Saunalahti Group Oyj's annual accounts.

Effects of the adoption of IFRS on the annual accounts

According to a preliminary analysis, Saunalahti Group Oyj's accounting policy may change in these respects in particular: employment benefits, the periodisation of other capitalised expenditure, especially marketing expenses, and deferred tax assets and liabilities.

In order to meet the greater requirements imposed on the presentation of annual accounts, the company has implemented the required changes to registration fidelity and acquired a system to support the changeover. The system will go into use in early 2004.

	GROUP		PARENT COMPANY	
EUR 1,000	**2003**	**2002**	**2003**	**2002**
1.1 Turnover by business unit				
Internet and Teleoperator	56,603	40,034	55,547	39,173
Mobile Entertainment	18,196	16,766	-	2,439
Non-core	-	4,822	-	-
Total	**74,799**	**61,622**	**55,547**	**41,612**
1.2 Turnover by country				
Finland	64,321	43,132	55,547	41,612
EU	5,946	11,383	-	-
Other	4,532	7,107	-	-
Total	**74,799**	**61,622**	**55,547**	**41,612**
1.3 Other operating income				
Invoicing of Group companies	-	-	473	4,390
Capital gains	29	827	24	80
Other income	2,843	569	2,208	228
Total	**2,872**	**1,396**	**2,705**	**4,698**
1.4 Materials and services				
Materials and supplies				
Purchases during review period	38,786	29,436	29,143	19,178
Change in inventories	23	107	23	107
Total	38,809	29,543	29,166	19,285
External services	3,682	2,699	5,473	4,886
Total	**42,491**	**32,242**	**34,639**	**24,171**
1.5 Personnel expenses				
Salaries, wages and remuneration	7,458	9,830	5,496	7,233
Pension expenses	1,191	1,286	919	1,144
Other social expenses	647	851	466	593
Total	**9,296**	**11,967**	**6,881**	**8,970**
Salaries, remuneration and benefits paid to the Group's presidents and the members of the Board of Directors.	492	598	216	167
1.6 Average number of personnel				
Average number of personnel	197	257	146	179
1.7 Depreciation and value adjustments				
Research and development expenses	-	40	-	36
Intangible rights	561	569	365	462
Goodwill	213	130	736	617
Other capitalised expenditure	2,022	1,085	1,972	1,004
Goodwill on consolidation	867	1,392		
Machinery and equipment	4,301	4,762	1,857	1,895
Other tangible assets	-	32	-	-
Depreciation on intangible and tangible assets, total	**7,964**	**8,010**	**4,930**	**4,014**
Research and development expenses	-	9	-	-
Intangible rights	-	15	-	-
Goodwill	158	1,113	-	-
Other capitalised expenditure	23	230	23	202
Machinery and equipment	125	665	-	-
Value adjustments of fixed assets and long-term investments, total	**306**	**2,032**	**23**	**202**
Total	**8,270**	**10,042**	**4,953**	**4,216**
1.8 Financial income and expenses				
Dividend income				
From others	20	-	20	48
Dividend income, total	20	-	20	48
Interest and other financial income				
From Group companies	-	-	323	7
From others	194	182	158	120
Interest and other financial income, total	194	182	481	127

EUR 1,000	GROUP 2003	GROUP 2002	PARENT COMPANY 2003	PARENT COMPANY 2002
Value adjustments				
Value adjustments of shares in subsidiaries			-567	-2,120
Value adjustments of Group loan receivables			-436	-4,269
Value adjustments, total			-1,003	-6,389
Interest expenses				
To others	-1,586	-1,336	-1,385	-967
Interest expenses, total	-1,586	-1,336	-1,385	-967
Other financial expenses				
From others	-360	-927	-161	-833
Other financial expenses, total	-360	-927	-161	-833
Interest and other financial expenses, total	-1,946	-2,263	-1,546	-1,800
Financial income and expenses, total	**-1,732**	**-2,081**	**-2,048**	**-8,014**
Other financial income and expenses include gains/losses on foreign exchange (net), total	-131	-93	29	-94
1.9 Extraordinary items				
Extraordinary income	-	1,753	887	1,676
Total	**-**	**1,753**	**887**	**1,676**

GROUP
Extraordinary income for the 2002 financial year comprised monies received from a composition with creditors.

PARENT COMPANY
Extraordinary income for the 2003 financial year consisted of Group contributions received.
Extraordinary income for the 2002 financial year consisted of EUR 0.2 million in Group contributions received and EUR 1.5 million received from a composition with creditors.

	GROUP 2003	GROUP 2002	PARENT COMPANY 2003	PARENT COMPANY 2002
1.10 Income taxes				
Income taxes on extraordinary items	-	-	-	-
Income taxes on ordinary income	-143	-41	-	-
Change in deferred tax liability	-	504	-	-
Total	**-143**	**463**	**-**	**-**

EUR 1,000	Acquisition cost, 1 Jan. 2003	Increase	Decrease	Transfers between items and other changes	Acquisition cost, 31 Dec. 2003	Accumulated depreciation and value adjustments, 31 Dec. 2003	Book value, 31 Dec. 2003
2.1 Intangible and tangible assets							
PARENT COMPANY							
Intangible assets							
Intangible rights	1,921	73	-	1	1,995	-961	1,034
Goodwill	4,359	1,211	-	-	5,570	-2,019	3,551
Other capitalised expenditure	5,141	6,813	-95	8	11,867	-4,932	6,935
Advance payments	82	-	-	-82	-	-	-
Intangible assets, total	**11,503**	**8,097**	**-95**	**-73**	**19,432**	**-7,912**	**11,520**
Tangible assets							
Machinery and equipment	10,876	2,291	-86	72	13,153	-7,296	5,857
Tangible assets, total	**10,876**	**2,291**	**-86**	**72**	**13,153**	**-7,296**	**5,857**

Merged companies have been accounted for as increases in intangible and tangible assets.

EUR 1,000	Acquisition cost, 1 Jan. 2003	Increase	Decrease	Transfers between items and other changes	Acquisition cost, 31 Dec. 2003	Accumulated depreciation and value adjustments, 31 Dec. 2003	Book value, 31 Dec. 2003
GROUP							
Intangible assets							
Intangible rights	2,918	52	-109	2	2,863	-1,625	1,238
Goodwill	1,134	1	-	-	1,135	-433	702
Other capitalised expenditure	7,524	6,905	-569	5	13,865	-7,038	6,827
Advance payments	112	-	-29	-83	-	-	-
Intangible assets, total	**11,688**	**6,958**	**-707**	**-76**	**17,863**	**-9,096**	**8,767**

EUR 1,000	Acquisition cost, 1 Jan. 2003	Increase	Decrease	Transfers between items and other changes	Acquisition cost, 31 Dec. 2003	Accumulated depreciation and value adjustments, 31 Dec. 2003	Book value, 31 Dec. 2003
Goodwill on consolidation	8,926	-	-223	-	8,703	-6,096	2,607
Tangible assets							
Machinery and equipment	25,121	1,648	-1,765	311	25,315	-14,842	10,473
Other tangible assets	85	-	-45	-40	-	-	-
Advance payments and uncompleted purchases	22	-	-21	-1	-	-	-
Tangible assets, total	**25,228**	**1,648**	**-1,831**	**270**	**25,315**	**-14,842**	**10,473**

2.2 Investments

PARENT COMPANY

Shares, Group companies	5,277	229	-1,924	-	3,582	-2,688	894
Shares, other	326	-	-	-	326	-	326
Receivables, Group companies	1,230	1,918	-	-	3,148	-1,230	1,918
Total	**6,833**	**2,147**	**-1,924**	**-**	**7,056**	**-3,918**	**3,138**

Merged companies have been accounted for as increases and decreases in investments.
Associated companies are accounted for in “shares, other”.

GROUP

Shares, other	345	3	-19	-3	326	-	326
Total	**345**	**3**	**-19**	**-3**	**326**	**-**	326

Associated companies are accounted for in “shares, other”.

	GROUP	PARENT COMPANY		
2.3 Group companies	Group’s holding, %	Parent company’s holding, %	Domicile	
AS Saunalahti (Latvia)	100.0%	100.0%	Riga	
Helsingin Netti Media Oy	100.0%	100.0%	Helsinki	b)
Jippii Belgium S.A	100.0%	100.0%	Brussels	a)
Jippii Czech Republic S.r.o.	100.0%	100.0%	Prague	a)
Jippii Hong Kong Ltd, in liquidation	100.0%	100.0%	Hong Kong	a)
Jippii Internet Services UAB, in liquidation (Lithuania)	100,0%	100,0%	Vilnius	a)
Jippii Internet Services Unipessoal LDA (Portugal)	100.0%	0.0%	Lisbon	a)
Jippii Italy S.r.l.	100.0%	100.0%	Milan	a)
Jippii Mobile Entertainment Oy	100.0%	100.0%	Helsinki	
Jippii UK Plc (UK)	100.0%	100.0%	London	a)
Supertel Oy	99.2%	99.2%	Helsinki	
Iceland Interactive EHF	60.0%	0.0%	Reykjavik	
Jippii Chile Limitada	99.0%	0.0%	Santiago	
Jippii Estonia AS	100.0%	0.0%	Tallinn	
Jippii Holding BV (Holland)	100.0%	0.0%	Almere	
Jippii Netherlands BV	100.0%	0.0%	Amsterdam	
Jippii Poland Sp. Z O.O.	100.0%	0.0%	Warsaw	
Jippii Schweiz AG (Switzerland)	100.0%	0.0%	St. Gallen	
Jippii Spain S.L.	100.0%	0.0%	Madrid	
Jippii Sweden AB	100.0%	0.0%	Stockholm	
ZAO Jippii Russia	100.0%	0.0%	St. Petersburg	

a) Companies to be wound up/merged in 2004.
b) The company has not been included in the consolidated financial statements, as it does not have a significant effect on the Group’s shareholders’ equities.

Group companies merged/wound up/sold in the 2003 financial year:

Alcom Internetix Ltd (UK)
Cabinet Internet-palvelut Oy
Cabinet Oy - Cabin Ab
Jippii a.s (Czech Republic)
Jippii Denmark ApS
Jippii France SA
Jippii Hungary Internet Services Ltd
Jippii Internet Services GmbH (Austria)
Jippii Ireland Ltd
Jippii Mobile GmbH (Germany)
Jippii Norway AS
Net.Net Ltd (UK)
NIC Tietoverkot Oy
THK-Net Sweden Ab
Wireless Network Services WNS Oy

	GROUP	PARENT COMPANY	
2.4 Associated companies	Group's holding %	Parent company's holding %	Domicile
Active Corporation Ltd (UK)	35.0%	35.0%	Bedfordshire

	GROUP		PARENT COMPANY	
EUR 1,000	**2003**	**2002**	**2003**	**2002**
2.5 Inventories				
Materials and goods	110	136	110	133
Total	**110**	**136**	**110**	**133**
2.6 Receivables				
LONG-TERM RECEIVABLES				
Receivables from Group companies				
Loan receivables			949	3,584
Total			**949**	**3,584**
Receivables from associated companies				
Loan receivables	-	85	-	85
Total	**-**	**85**	**-**	**85**
Receivables from others				
Loan receivables	7	-		
Other receivables	751	491	648	470
Prepayments and accrued income	-	56	-	50
Total	**758**	**547**	**648**	**520**
LONG-TERM RECEIVABLES, TOTAL	**758**	**632**	**1,597**	**4,189**
CURRENT RECEIVABLES				
Receivables from Group companies				
Accounts receivable			214	212
Loan receivables			897	856
Prepayments and accrued income			-	108
Total			**1,111**	**1,176**
Receivables from associated companies				
Loan receivables	85	91	85	91
Total	**85**	**91**	**85**	**91**
Receivables from others				
Accounts receivable	12,860	6,682	10,375	5,323
Loan receivables	2	11	2	6
Other receivables	459	254	155	158
Prepayments and accrued income	1,205	1,351	942	1,231
Total	**14,526**	**8,298**	**11,474**	**6,718**
CURRENT RECEIVABLES, TOTAL	**14,611**	**8,389**	**12,670**	**7,985**

2.7 Deferred tax assets and liabilities
At the end of 2003, the parent company had EUR 56.9 million in confirmed losses in its tax assessment. The remaining deferred tax asset has not been recorded, in accordance with conservative accounting practices.

2.8 Prepayments and accrued income				
Prepaid expenses	305	90	158	70
Leasing rents and rent receivables	36	115	36	106
Receivables/HOAS	282	-	282	-
Refunding of number portability payments/NUMPAC	419	-	419	-
Other	43	1,146	47	1,055
Total	**1,205**	**1,351**	**942**	**1,231**

	GROUP		PARENT COMPANY	
EUR 1,000	**2003**	**2002**	**2003**	**2002**
2.9 Shareholders' equity				
Share capital, 1 Jan.	5,370	4,527	5,370	4,527
From share issue	93	196	93	196
From convertible bonds	133	647	133	-
To cover losses	-4,296	-	-4,296	647
Share capital, 31 Dec.	1,300	5,370	1,300	5,370
Share premium fund, 1 Jan.	2,999	38,402	2,999	38,402
From share issue	4,092	1,804	4,092	1,804
From convertible bonds	6,630	5,952	6,630	5,952
To cover accumulated losses	-2,999	-43,159	-2,999	-43,159
Share premium fund, 31 Dec.	10,722	2,999	10,722	2,999
Accumulated loss/retained earnings, 1 Jan.	-13,775	-51,722	-12,573	-48,184
Losses covered from the share premium fund	2,999	43,159	2,999	43,159
Covered losses	4,296	-	4,296	-
Loss on merger			-454	-
Other changes	-	16		
Translation difference, 31 Dec.	143	-109	-	-
Accumulated loss/retained earnings, 31 Dec.	-6,337	-8,656	-5,732	-5,025
Net profit/loss	5,022	-5,119	3,403	-7,548
Capital loans, 1 Jan.	5,437	-	5,437	-
Increase	-	12,036	-	12,036
Conversion of capital loans into equity	-3,703	-6,599	-3,703	-6,599
Capital loans, 31 Dec.	1,734	5,437	1,734	5,437
Shareholders' equity, total	**12,441**	**31**	**11,427**	1,233

In the 2002 financial year, the parent company received EUR 5.1 million in interest-bearing convertible capital loans. At the beginning of the 2003 financial year, EUR 4.5 million of the interest-bearing convertible capital loans remained. During the 2003 financial year, EUR 2.8 million of the capital loans were converted into shares. At the end of the financial year, EUR 1.7 million of the interest-bearing convertible capital loans remained. This amount was converted into shares after the end of the 2003 financial year and thus all the capital loans have now been fully converted into shares.

The interest on the loans which has been recorded as expenses in 2003 amounts to EUR 0.6 million. Because the loan terms state that an additional interest shall be paid on unpaid interest until the date of payment, and the interest cannot be paid in the 2004 financial year, the unpaid interest is recorded in other long-term liabilities in the parent company's balance sheet.

Main terms of the convertible capital loan:
1) The capital may be paid only if the non-distributable equity and other non-distributable items are fully covered in the balance sheet adopted by Saunalahti Group Oyj and its Group for the preceding financial year.
2) The interest may be paid only if the paid amount can be used for the distribution of profits in line with the balance sheet adopted by Saunalahti Group Oyj and its Group for the preceding financial year.
3) The capital loan can be converted into Saunalahti Group Oyj shares. The conversion period ends on 22 February 2007.

2.10 Distributable funds, 31 Dec.				
Distributable funds	-	-	-	-
2.11 Obligatory provisions				
Other obligatory provisions	535	847	532	847

Obligatory provisions are related to an agreement that settled a legal dispute on a long-term lease agreement. Provisions are recorded in other operating expenses.

2.12 Long-term liabilities				
Convertible bonds	-	3,060	-	3,060
Loans from financial institutions	3,215	5,724	2,962	5,268
Other long-term liabilities	2,803	4,298	2,518	3,522
Long-term liabilities to Group companies	-	-	8	8
Total	**6,018**	**13,082**	**5,488**	**11,858**
Of which interest-bearing liabilities	5,067	11,507	4,528	10,277

EUR 1,000	GROUP 2003	GROUP 2002	PARENT COMPANY 2003	PARENT COMPANY 2002
2.13 Short-term liabilities				
SHORT-TERM LIABILITIES				
Loans from financial institutions	3,582	2,782	3,582	2,656
Advances received	2,721	2,642	2,712	2,336
Accounts payable	9,698	5,291	9,121	4,440
Other liabilities	4,238	6,451	3,001	3,769
Accrued liabilities	2,688	2,705	1,690	1,995
Total	**22,927**	**19,871**	**20,106**	**15,196**
Liabilities to Group companies				
Advances received			-	-
Accounts payable			14	196
Accrued liabilities			8	-
Other short-term liabilities			420	486
Total			**442**	**682**
SHORT-TERM LIABILITIES, TOTAL	**22,927**	**19,871**	**20,548**	**15,878**
Of which interest-bearing liabilities	5,437	7,050	4,693	4,438
2.14 Accrued liabilities				
Periodisation of salaries and social expenses	1,406	1,280	1,087	1,006
Interest expenses	108	268	106	265
Other	1,307	1,157	497	724
Total	**2,821**	**2,705**	**1,690**	**1,995**
3.1 Liabilities with corporate mortgages as collateral				
Loans from financial institutions	5,988	10,255	5,988	10,003
Mortgages given	12,668	12,668	12,668	12,164
Leasing agreements with corporate mortgages as collateral	268	-	268	-
Mortgages given as collateral, total	**12,668**	**12,668**	**12,668**	**12,164**
3.2 Other collateral				
Pledges	794	1,158	719	1,015
3.3 Contingent liabilities on behalf of Group companies				
Guarantees	-	-	253	330
3.4 Leasing commitments				
Payable during the next financial year	1,381	3,106	1,339	2,892
Payable later	374	1,277	333	1,259
Total	**1,755**	**4,383**	**1,672**	**4,150**

The company’s leasing agreements do not include a purchase obligation.

EUR 4.2 million in assets possessed by the company through financial leasing agreements are entered in “machinery and equipment” in the consolidated balance sheet. EUR 0.2 million in contractual long-term liabilities and EUR 0.7 million in contractual short-term liabilities are booked in the consolidated balance sheet.

3.5 Other commitments
The imputed social security liabilities related to the company’s share options amount to EUR 38 thousand, which has not been recorded as expenses.

The unsettled leasing liability on the business premises used by the Group was EUR 2.0 million at the end of the 2003 financial year, of which the parent company’s share was EUR 1.9 million.

3.6 Legal disputes
In 2001, the Foundation for Student Housing in the Helsinki Region (HOAS) unilaterally dissolved a co-operation agreement concerning a large-scale networking project. In March 2002, Saunalahti Group Oyj in turn disconnected the telecommunications connections related to said project due to unpaid bills. Proceedings in the dispute are pending.

A legal dispute arose due to the dismissal of the Managing Director of the Group’s Spanish company in December. The assessment of the grounds and implications is pending.

THE GROUP'S FINANCIAL INDICATORS

EUR 1,000, financial period ended on 31 Dec.	2003	2002	2001	2000	1999
The Group's financial indicators					
Turnover	74,799	61,622	87,250	34,656	13,014
Growth in turnover, %	21.4%	-29.4%	151.8%	166.3%	75.1%
Operating profit/loss	6,898	-5,254	-47,005	708	-2,039
% of turnover	9.2%	-8.5%	-53.9%	2.0%	-15.7%
Profit/loss before extraordinary items, provisions and taxes	5,166	-7,335	-49,413	467	-2,376
% of turnover	6.9%	-11.9%	-56.6%	1.3%	-18.3%
Profit/loss before appropriations and taxes	5,166	-5,582	-49,820	560	-1,429
% of turnover	6.9%	-9.1%	-57.1%	1.6%	-11.0%
Net profit/loss	5,022	-5,119	-53,002	21	-791
% of turnover	6.7%	-8.3%	-60.7%	0.1%	-6.1%
Return on equity, %	189.5%	- [1]	-440.3%	-0.3%	-106.8%
Return on investment, %	32.1%	-30.1%	-160.8%	3.9%	-29.2%
Net gearing, %	74.4%	- [2]	- [2]	23.1%	163.5%
Equity ratio, %	27.3%	-17.3%	-14.3%	46.2%	25.2%
Price/earnings (P/E) ratio	23	- [3]	- [3]	- [3]	- [3]
Gross investments in fixed assets	8,606	4,985	20,654	32,408	7,717
% of turnover	11.5%	8.1%	23.7%	93.5%	59.3%
Research and development expenses	- [4]	- [4]	- [4]	- [4]	- [4]
% of turnover	- [4]	- [4]	- [4]	- [4]	- [4]
Per-share indicators					
Earnings per share, EUR	0.05	-0.07	-0.73	0.00	-0.05
Earnings per share, diluted, EUR	0.04	-0.06	-0.72	0.00	-0.05
Equity per share, EUR	0.08	-0.05	-0.08	0.46	0.08
Dividend per share, EUR	0.00	0.00	0.00	0.00	0.00
Share issue adjusted number of shares at end of period	129,960,738	107,400,738	90,539,168	67,269,106	53,541,360
Share issue adjusted number of shares during the period, weighted average	111,312,902	99,763,628	72,688,712	62,803,518	45,297,643
Share issue adjusted number of shares at end of period (diluted)	131,784,162	124,060,738	91,229,068	68,974,343	54,541,360
Share issue adjusted number of shares during the period, weighted average (diluted)	112,946,297	120,003,419	73,715,254	64,468,685	46,297,643
Share issue adjusted closing price at end of period, EUR	1.05	0.27	0.28	3.38	N/A
Market capitalisation at end of period, EUR	136,458,775	28,998,199	25,350,967	227,369,578	N/A

1) Return on equity has not been presented, as the numerators and nominators of the indicators are negative.
2) Net gearing is not presented, because shareholders' equity has been negative.
3) P/E ratios for earlier years have not been presented because the results were in the red.
4) Research and development expenses have not been presented, because they are not recorded separately in accounting.

FORMULAS FOR THE INDICATORS

Return on equity, % (ROE)

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

Return on investment, % (ROI)

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

Net gearing, %

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

Equity ratio, %

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

Price/earnings (P/E) ratio

$$\frac{\text{Share price on closing date}}{\text{Earnings per share}}$$

Earnings per share (EPS)

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

Earnings per share (EPS), diluted

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

Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Share issue adjusted number of shares at end of period}}$$

Dividend per share

$$\frac{\text{Dividend for the period}}{\text{Share issue adjusted number of shares at end of period}}$$

SHARES AND SHARE CAPITAL

Saunalahti Group Oyj has one series of shares. The accounting countervalue of the shares is EUR 0.01. The company's shares are included in the book-entry system. At the end of the financial year, the company's registered share capital amounted to EUR 1,299,607.38, which is divided into 129,960,738 shares.

Changes in the company's share capital during the financial year

The company's Annual General Meeting held on 11 April 2003 decided to lower the company's share capital by EUR 4,296,029.52 without consideration in order to immediately cover the loss in the confirmed balance sheet in proportion to the shareholdings. The new registered share capital came to EUR 1,074,007.38, which was divided into a total of 107,400,738 shares having an accounting countervalue of EUR 0.01 each. The reduction of the company's share capital was entered in the Trade Register on 8 May 2003.

Saunalahti Group Oyj's extraordinary general meeting held on 11 July 2003 decided to increase the company's share capital through a directed issue of a minimum of 8,000,000 and a maximum of 12,000,000 new shares to investors selected by the Board of Directors. In the share issue, which was carried out using an auction procedure between 11 July and 15 August 2003, the share subscription price was a minimum of EUR 0.38 per share. At its meeting on 22 August 2003, the company's Board of Directors decided to confirm EUR 0.45 as the subscription price in the directed tender issue and approved the subscription of a total of 9,300,000 shares. The increase in the share capital amounted to EUR 93,000. The increase in the share capital was entered in the Trade Register on 23 September 2003.

On the basis of the three convertible bonds floated by the extraordinary general meeting held on 8 February 2002, the company's share capital has been raised as follows in 2003:

Convertible bond 2002

Convertible bond 2002 was offered for subscription by Sampo Bank plc, deviating from shareholders' pre-emptive right to subscribe for shares. Sampo Bank plc subscribed for EUR 3,060,000 of the bond, which was divided in 60 loan shares (notes) with a nominal value of EUR 51,000 each. Each note of EUR 51,000 entitled the noteholder to convert it into 100,000 Saunalahti Group Oyj shares.

At its meeting on 27 October 2003, the company's Board of Directors approved Sampo Bank plc's request to partially convert Convertible bond 2002 into shares representing equity of a total of EUR 1,530,000. Due to the conversion, 3,000,000 new shares were issued and the share capital was increased by EUR 30,000. The increase in the share capital was entered in the Trade Register on 6 November 2003.

At its meeting on 1 December 2003, the company's Board of Directors approved Sampo Bank plc's request to partially convert Convertible bond 2002 into shares representing equity of a total of EUR 1,530,000. Due to the conversion, a total of 3,000,000 new shares were issued and the share capital was increased by EUR 30,000. The increase in the share capital was entered in the Trade Register on 12 December 2003.

Convertible bond 2002 had been fully converted into shares by 31 December 2003. The shares subscribed for entitle their owners to an equal right to a dividend when the company pays dividends.

Convertible capital loan 2002 I

Convertible capital loan 2002 I was offered for subscription by certain creditors selected by the Board of Directors, deviating from shareholders' pre-emptive right to subscribe for shares. The creditors subscribed for a total of EUR 6,936,000 of Convertible capital loan 2002 I. 1,360 loan shares (notes) with a nominal value of EUR 5,100 each were issued on the loan amount. The loan period was 15 February 2002 to 15 February 2007. Each note of EUR 5,100 entitled the noteholder to convert it to 10,000 Saunalahti Group Oyj shares. By 31 December 2002, EUR 6,038,400 of Convertible capital loan 2002 I had been converted into shares.

At its meeting on 22 August 2003, the company's Board of Directors approved the partial conversion of Convertible capital loan 2002 I into shares representing equity of EUR 897,000. On the basis of the conversion, 1,760,000 shares were issued and the company's share capital was increased by EUR 17,600. The increase in the share capital was entered in the Trade Register on 23 September 2003.

Convertible capital loan 2002 I had been fully converted into shares by 31 December 2003. The shares subscribed for entitle their owners to an equal right to a dividend when the company pays dividends.

Convertible capital loan 2002 II

Convertible capital loan 2002 II was offered for subscription by certain investors selected by the Board of Directors, deviating from shareholders' pre-emptive right to subscribe for shares. The investors subscribed for a total of EUR 5,100,000 of Convertible capital loan 2002 II. 100 loan shares (notes) with a nominal value of EUR 51,000 each were issued on the loan amount. The loan period was 22 February 2002 to 22 February 2007. Each note of EUR 51,000 entitles the noteholder to convert it into 100,000 Saunalahti Group Oyj shares. By 31 December 2002, EUR 561,000 of Convertible capital loan 2002 II had been converted into shares.

At its meeting on 7 August 2003, the company's Board of Directors approved the partial conversion of Convertible capital loan 2002 II into shares representing equity of EUR 408,000. On the basis of the conversion, 800,000 new shares were issued and the company's share capital was increased by EUR 8,000. The increase in the share capital was entered in the Trade Register on 26 August 2003.

At its meeting on 8 December 2003, the company's Board of Directors approved the partial conversion of Convertible capital loan 2002 II into shares representing equity of EUR 2,397,000. On the basis of the conversion, 4,700,000 new shares were issued and the company's share capital was increased by EUR 47,000. The increase in the share capital was entered in the Trade Register on 29 December 2003. The shares subscribed for entitle their owners to an equal right to a dividend when the company pays dividends.

As at 31 December 2003, the share capital could still be raised by EUR 34,000 on the basis of Convertible capital loan 2002 II, representing 3,400,000 shares and a 2.5% of the holding after the conversion into shares. EUR 1,734,000 of the loan capital remained. The rest of the loan was converted into shares on 29 January 2004 after the end of the financial year. On the basis of the conversion, 3,400,000 new shares will be issued. These shares do not entitle their holders to a dividend for the 2003 financial year. After the conversion in January, Convertible capital loan 2002 II has been fully converted into shares.

Board of Directors' authorisation to issue shares

The Annual General Meeting held on 11 April 2003 authorised the company's Board of Directors to decide, by 11 April 2004, on raising the share capital by means of a rights issue, granting share options and floating a convertible bond in one or more lots. On the basis of the authorisation, the share capital can be increased by a maximum of EUR 200,000, or 20,000,000 new shares. The authorisation includes the right to deviate from shareholders' pre-emptive right to subscribe for shares. This authorisation was not used during the report year, and thus was fully unused on 31 December 2003.

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

SHARE OPTION PROGRAMMES

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

Personnel share option programme 2001

In the share option programme targeted at personnel in 2001, a total of 370,000 share options were issued. The share subscription period with the Series A options of this programme ended on 31 May 2003. The unused Series A options have expired. There were a total of 148,000 Series A share options. In the share option programme, 222,000 Series B and C options remain unused; they entitle their holders to subscribe for 222,000 new shares at a subscription price of EUR 4.50.

The share subscription period with the 111,000 Series B options in this programme began on 1 June 2003 and will end on 31 May 2004. The share subscription period with the 111,000 Series C options in this programme will begin on 1 June 2004 and end on 31 May 2005. No shares had been subscribed for under this share option programme by 31 December 2003.

Share option programme for management and personnel 2002

On 5 August 2003, the company's Board of Directors decided to annul the share options in the share option programme targeted at management and personnel in 2002 which had been returned to the company or remained unoffered. A total of 5,233,232 share options were annulled. A total of 766,768 share options remain from the 2002 share option programme; they entitle their holders to subscribe for a total of 766,768 new shares at a subscription price of EUR 0.80 per share.

The share subscription period with the 354,770 Series A options began on 1 June 2003. The share subscription period with the 205,999 Series B options will begin on 1 June 2004. The share subscription period with the 205,999 Series C options will begin on 1 June 2005. The share subscription periods of all the share option series end on 31 May 2007. No shares had been subscribed for under this share option programme by 31 December 2003.

Share option programme 2 July 2002

On the basis of the options in the share option programme targeted at the company's partners in 2002, 3,000,000 shares can be subscribed for at a price of EUR 0.80 from 21 October 2002 to 31 December 2004. By 31 December 2002, all the options had been subscribed for. No shares had been subscribed for with these options by 31 December 2003.

Share option programme for management and personnel 2003

The company's Annual General Meeting held on 11 April 2003 decided to grant share options to the company's management and employees. A total of 3,000,000 share options were granted and all of them were subscribed for. At the end of the financial year, 999,861 of the share options were held by the subsidiary Helsingin Netti Media Oy. Share option programme I/2003 included a total of 3,000,000 share options that entitle their holders to subscribe for a maximum of 3,000,000 new shares at a subscription price of EUR 0.51 per share. The subscription period with the Series A share options begins on 1 December 2004 and with the Series B share options on 1 December 2005. The share subscription period ends on 30 November 2008 in the case of both option series.

Earlier share option programmes

The share subscription period of the share option programmes granted in 1999 and 2000 ended on 31 May 2003. The unused options have expired.

MANAGEMENT'S SHAREHOLDINGS AND SHARE OPTIONS

On 31 December 2003, Saunalahti Group Oyj's Board members, CEO and corporations in which they have a controlling interest owned a total of 18,472,410 shares, representing 14.2% of the company's shares.

On 31 December 2003, Saunalahti Group Oyj's Board members, CEO and corporations in which they have a controlling interest owned a total of 1,101,056 share options, which may be used to subscribe for 1,101,056 shares, representing a 0.8% holding after the subscription.

On 31 December 2003, Saunalahti Group Oyj's Board members and corporations in which they have a controlling interest held a total of EUR 561,000 of Convertible capital loan 2002 II, on the basis of which the share capital can be increased by a maximum total of EUR 11,000, which corresponds to 1,100,000 shares and represents a 0.8% holding after the conversion of the loan into shares.

LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2003

	Shareholder	Number of shares	Holding, %
1.	Auratum International S.A.	21,603,540	16.62
2.	Oy Herttaässä Ab *	9,901,973	7.62
3.	Tietoklusteri Oy	8,357,892	6.43
4.	Turun Puhelin Oy telephone company	7,310,042	5.62
5.	Ajanta Oy	6,226,320	4.79
6.	Moncheur & Cie SA	5,968,002	4.59
7.	Mandatum Stockbrokers Ltd.	5,010,000	3.86
8.	Auratum Oy	4,699,820	3.62
9.	Evli Bank Plc	3,814,500	2.94
10.	Rausanne Oy **	2,798,000	2.15
11.	PSS-Trade Ltd. Oy	2,521,172	1.94
12.	FIM Securities Ltd	1,832,600	1.41
13.	OP-Suomi Kasvu Mutual Fund	1,768,200	1.36
14.	Salmivuori Ari	1,399,820	1.08
15.	Danilostock Oy	1,252,000	0.96
16.	Aura Capital Oy	1,221,444	0.94
17.	Risni-Yhtiö Oy	1,097,258	0.84
18.	Hemmi Anne	1,040,020	0.80
19.	TeliaSonera Finland Oyj	1,000,000	0.77
20.	Helsingin Mekaanikontalo Oy ***	896,325	0.69
	Nominee-registered shares		
	Nordea Bank Finland Plc	6,452,750	4.97
	Svenska Handelsbanken (publ.), filial	165,108	0.13
	D. Carnegie AB, Finland filial	102,700	0.08
	Others	47,870	0.04
	Other shareholders, total	33,473,382	25.76
	Total	**129,960,738**	**100.00**

*) Board member Kai Mäkelä has a majority stake in the company Oy Herttaässä Ab, which is one of the ten largest shareholders.
**) Board member Rauno Puolimatka owns 100% of the company Rausanne Oy, which is one of the ten largest shareholders.
***) Procomex SA, a company fully owned by Board member Ahti Vilppula, owns 100% of the company Helsingin Mekaanikontalo Oy, which is one of the twenty largest shareholders.

SHAREHOLDERS BY GROUP AS AT 31 DECEMBER 2003

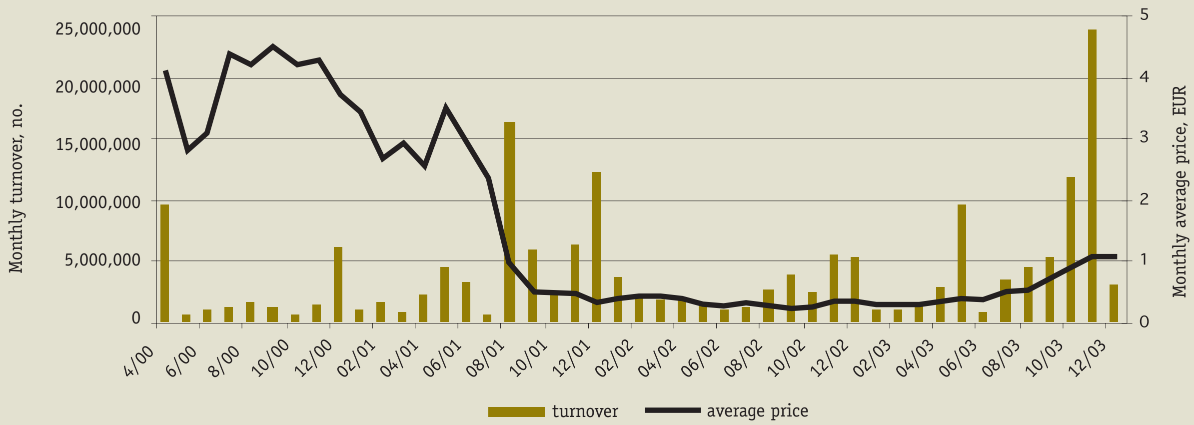
Group	Number of shares	Holding,%
Companies	52,819,862	40.64
Financial and insurance institutions	18,282,596	14.07
Public sector entities	110,000	0.08
Non-profit institutions	606,600	0.47
Households	29,659,896	22.82
Foreign owners	28,481,784	21.92
On the grand total account	0	0.00
Total	**129,960,738**	**100.00**

SHARE PRICE TREND

The average price of the share in trading in 2003 was EUR 0.77. The highest share price was EUR 1.32 and the lowest was EUR 0.24. Share turnover during the report year amounted to 68,729,924 shares.

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

SHARE TURNOVER AND AVERAGE PRICE, 10 APR. 2000 – 30 DEC. 2003



DISTRIBUTION OF SHAREHOLDINGS BY SIZE CLASS AS AT 31 DECEMBER 2003

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares, %
1–100	1,231	5.28	88,136	0.07
101–500	15,944	68.43	3,201,903	2.46
501–1,000	2,130	9.14	1,812,236	1.39
1,001–10,000	3,539	15.19	11,913,038	9.17
10,001–100,000	408	1.75	9,692,793	7.46
100,001–1,000,000	28	0.12	8,977,279	6.91
over 1,000,000	19	0.08	94,275,353	72.54
On the grand total account			0	0.00
On the clearing list of the book-entry register			0	0.00
Total			**129,960,738**	**100.00**
Of which nominee-registered shares			6,768,428	5.21

PROPOSAL ON THE DISPOSAL OF EARNINGS

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

Espoo, 12 February 2004

Rauno Puolimatka Chairman	Matti Hietala	Kai Mäkelä
Jukka Peltola	Pekka Vennamo	Ahti Vilppula
	Matti Vikkula CEO	

AUDITOR'S REPORT

To the shareholders of Saunalahti Group Oyj

We have audited the accounting, the financial statements, as well as the administration by the Board of Directors and the Managing Director of Saunalahti Group Oyj for the period 1 January 2003–31 December 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on administration of the parent company.

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

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give 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 Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the profit for the period is in compliance with the Companies Act.

Espoo, 24 February 2004

KPMG WIDERI OY AB
Reino Tikkanen
Authorised Public Accountant

BOARD OF DIRECTORS

Jukka Peltola Matti Hietala

Kai Mäkelä

Rauno Puolimatka Pekka Vennamo

Ahti Vilppula

Chairman
Rauno Puolimatka
(born 1957), BBA, is the Chairman of Auratum Oy and the Managing Director of Auratum Oy's major owner, Rausanne Oy. He is the Chairman or member of many Auratum Group companies, such as Aura Capital Oy and Auratum Kiinteistöt Oy. Puolimatka also serves as a member of the Boards of Turun Arvokiinteistöt Oyj and numerous real-estate companies. He is a member of Hallitusammattilaiset ry (Association of Finland's Board Professionals) and the lobbying working group of Family Business Network Finland as well as a partner in Boardman Oy. Rauno Puolimatka has been a member of the Board of Saunalahti Group since 2001 and its Chairman since 2003. On 31 December 2003, Puolimatka owned a total of 2,801,495 Saunalahti Group Oyj shares directly and through a corporation in which he has a controlling interest. He also owned 206,000 Saunalahti Group Oyj share options and, through a corporation in which he has a controlling interest, convertible bond notes for a nominal amount of EUR 510,000 on 31 December 2003. The convertible bond was converted into shares on 29 January 2004.

Vice Chairman
Pekka Vennamo
(born 1944) is the Chairman and CEO of Sijoitus Oy, of which he owns 100%. Previously, he has served as an MP, Second Minister of Finance and Minister of Transport and Communications. After leaving politics, he has worked as the Director General of Posti-Tele and then Sonera Oyj. Vennamo also serves as the Chairman of the Boards of Aldata Solution Oyj and Soprano Oyj and a member of the Board of Boardman Oy. In addition, Vennamo counsels numerous small and medium-sized companies. Pekka Vennamo was the Chairman of Saunalahti Group's Board of Directors from 2001 to 2003; he has been the Vice Chairman since 2003. On 31 December 2003, Vennamo owned 20,000 shares in Saunalahti Group Oyj. He also owns 412,000 Saunalahti Group Oyj share options.

Matti Hietala
(born 1949), M.Sc. (Eng.), is the President and CEO of Aldata Solution Oyj. Previously, he was a partner in Helmet Business Mentors Oy. He served as the Managing Director of Oy Unisys Ab from 1991 to 2002. Before that, he worked for Hewlett-Packard as Marketing Director in Finland and as Regional Manager in Amsterdam and Geneva for twelve years. Hietala has been a member of the Board of Saunalahti Group Oyj since 2001. On 31 December 2003, Hietala owned 3,495 shares in Saunalahti Group Oyj. He also owns 51,500 Saunalahti Group Oyj share options.

Kai Mäkelä
(born 1947), M.Sc. (Econ.), approved auditor, is the Chairman of the Board and Managing Director of the investment company Oy Herttaässä Ab, which he owns. He is a member of the Boards of Interavanti Oyj and Ruukki Group Oyj as well as a member of Hallitusammattilaiset ry (Association of Finland's Board Professionals) and a partner in Boardman Oy. Mäkelä has been a member of the Board of Saunalahti Group since 2002. His previous term as the Chairman of the Board of Janton Corporation ended on 19 December 2003 due to a corporate acquisition. On 31 December 2003, Mäkelä owned a total of 9,905,468 Saunalahti Group Oyj shares directly and through a corporation in which he has a controlling interest. He also owns 45,778 Saunalahti Group Oyj share options.

Jukka Peltola
(born 1970), is the Managing Director and member of the Board of PSS-Trade Oy and Director of Internet and Teleoperator activities of Saunalahti Group Oyj. He is also a member of the Board of Finnish Commuter Airlines Oy and Seicapital Oy as well as the Managing Director and member of the Board of Smartit Finland Oy. Peltola has been a member of the Board of Saunalahti Group Oyj since 2003. On 31 December 2003, Peltola owned 127,215 shares in Saunalahti Group Oyj. He also owns 45,778 Saunalahti Group Oyj share options.

Ahti Vilppula
(born 1959), is Director and member of the Board of Procomex SA. He is also the Chairman of the Board of Jippii Mobile Entertainment Oy. Vilppula has been a member of the Board of Saunalahti Group Oyj since 2003. On 31 December 2003, Vilppula owned a total of 5,502,137 Saunalahti Group Oyj shares directly and through corporations in which he has a controlling interest.

MANAGEMENT

Panu Lehti

Matti Vikkula

Timo Lehtinen

Jukka Peltola

Rami Ryhänen

CEO
Matti Vikkula
(born 1960), M.Sc. (Econ.), Saunalahti Group Oyj's CEO since 13 December 2001. Among other positions, he has previously worked as a business management consulting partner at PwC Consulting. In addition, he is the Chairman of the Board of Directors of Kristina Cruises Oy. On 31 December 2003, Vikkula held 112,600 Saunalahti Group Oyj shares. He also owned 340,000 Saunalahti Group Oyj share options and a convertible bond note for a nominal amount of EUR 51,000 on 31 December 2003. The convertible bond was converted into shares on 29 January 2004.

Panu Lehti
(born 1970), COO, Internet and Teleoperator unit
With the company since 6 July 2000
Saunalahti Group shares on 31 December 2003: 39,694 (through underage children in his custody)
Share options on 31 December 2003: 0

Timo Lehtinen
(born 1964), M.Sc. (Econ.), CFO
With the company since 1 November 2003
Saunalahti Group shares on 31 December 2003: 0
Share options on 31 December 2003: 0

Jukka Peltola
(born 1970), Director, Internet and Teleoperator activities
With the company since 24 June 2002
Saunalahti Group shares on 31 December 2003: 127,215
Share options on 31 December 2003: 45,778

Rami Ryhänen
(born 1967), MBA, Managing Director of Jippii Mobile Entertainment Oy
With the company since 1 February 2003
Saunalahti Group shares on 31 December 2003: 0
Share options on 31 December 2003: 114,433

CORPORATE GOVERNANCE

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

In December 2003, HEX Ltd, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers TT gave their new guidelines on the corporate governance of listed companies. Saunalahti Group Oyj will begin to comply with these guidelines in most respects when they come into force on 1 July 2004.

Annual General Meeting

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

Board of Directors

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

The Board of Directors decides on the key goals of the Group and the strategies drafted to achieve them, operating instructions and other matters that are of far-reaching significance to operations, including the budgets and operating plans of the business areas, acquisitions, the operational structure of the Group and the personnel compensation policy. In 2003, the Board of Directors did not set up any committees.

CEO

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

Management

In addition to the CEO, the Group's management comprises the Director of the Internet and Teleoperator unit, the Managing Director of Jippii Mobile Entertainment Oy and the Group's CFO.

The management of the Internet and Teleoperator unit comprises the Management Boards of Saunalahti, EUnet Finland and project administration. Jippii Mobile Entertainment Oy's management comprises the company's Board of Directors, Managing Director and Management Board. Group administration has its own Management Board.

The Chairman of each Management Board is the business unit's director, COO or CFO. Their members are the managers/directors responsible for the line operations of the units and the CFO of the Group's parent company.

The Management Boards' task is to follow and oversee the realisation of the important business objectives that have been set for them and direct resources so that the objectives can be achieved.

Remuneration paid to senior management

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

Finance

During the financial year, the responsibility for the Group's internal and external accounting was distributed between the financial departments of the parent company and Jippii Mobile Entertainment Oy, which are responsible for preparing the financial information of the business areas and confirming the veracity of said information. The parent company's Finance & Accounting Department specifies the Group's accounting principles and the accounting policy applied in the financial statements as well as carries out Group-level and business area consolidation and prepares the related additional information. The Group companies report to the parent company in accordance with the issued instructions.

Treasury

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

Audit

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

Insider regulations

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

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