TEKLA

Tekla Corporation

Financial Statements 2003

TEKLA

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REVIEW BY THE BOARD OF DIRECTORS 2003

Financial year in brief

- Tekla Group's consolidated net sales were 39.81 million euros, which was four percent less than in 2002 (41.47 million euros).
- Operating result was -9.45 (-3.50) million euros. Excluding one-time items of the second quarter (totaling 6.65 million euros), the Group's operating result was -2.8 million euros.
- International operations accounted for 52% (52%) of net sales.
- The company united all its product and technology development in one unit at the beginning of 2003 in order to increase operational efficiency, productivity and internal cooperation.
- In order to improve profitability, Tekla decreased and reorganized its subsidiary resources and the Energy & Utilities business area's international operations at the beginning of the year. In March the company initiated statutory employer-employee negotiations in the Finnish organization due to production and financial reasons. As a result of the negotiations, personnel reductions were primarily from the Energy & Utilities business area. The company took additional measures to lower its cost level with regard to expenses unrelated to personnel. The results of increasing operational efficiency and permanent cost-saving measures were visible during the second half of the year.
- Tekla Corporation follows a dividend payment policy that reflects profit trends. As the operating result for 2003 was negative, no dividend will be distributed.

BUSINESS ENVIRONMENT

Tekla develops and markets software products and related services that make customers' core business more effective in building and construction, energy sales and distribution and in municipalities. The ingenuity of Tekla's products is in their model-based technology; Tekla is an international trailblazer in developing model-based technology in its customer segments. Tekla also has decades of experience in select customer industries.

Tekla's software solutions make customers' core business processes more effective, enable their further development and enhance customers' competitiveness.

General economic uncertainty continued and was reflected in the demand for Tekla's products in its key customer industries, namely building and construction and the energy industry. However, there were weak signals of a revival in demand towards the end of the year.

Demand for building industry software in the company's key market areas remained soft, as the volume of building and construction continued to be low. IT investments in the structural design segment remained almost unchanged. Sales picked up in the US market during the last few months of the year, as the trends in the building industry started showing positive development.

The European energy market is still undergoing structural changes, especially in the Nordic countries. Customer companies are merging, networking and focusing on core functions, which results in outsourcing other phases of the operation chain. Energy companies have started decentralizing their business operations into network and sales companies. This has caused a demand for change and renewal in information systems. The volume of IT investments remained low in 2003.

The municipal sector in Finland and Sweden is interested in systems that make operations more effective and improve information and other electronic services to customers. Municipalities seek new benefits from integrated systems for supporting planning and construction processes and land property management.

NET SALES AND RESULT

Tekla's net sales were 39.81 million euros, which was four percent less than in 2002 (41.47 million euros).

Tekla's operating result was -9.45 (-3.50) million euros. Profit (loss) before taxes amounted to -9.32 (-3.18) million euros.

The operating result includes an extraordinary depreciation of goodwill in the amount of 5.55 million euros and a provision of 0.5 million euros for office rental expenses. In addition to these, expenses of 0.6 million euros due to personnel restructuring were booked. Excluding the aforementioned one-time items, the Group's operating result for 2003 was -2.8 million euros.

The principles of revenue recognition have been changed to conform to IFRS in the financial statements for 2003. Some of the sales of the last quarter have been carried over to the net sales for the following quarters. As a result, the net sales and operating result for 2003 decreased by 0.6 million euros.

Changes in exchange rates compared with rates in 2002 had a negative effect on the net sales of 2003 (-1.5 million euros) and on the operating result (-0.5 million euros).

PROFITABILITY

Return on investment (ROI) was -29.9% (-8.0%) and return on equity (ROE) -33.0% (-8.2%). Earnings per share were -0.42 (-0.13) euros and equity per share at the end of the period was 1.07 (1.49) euros.

FINANCIAL POSITION

The consolidated balance sheet totaled 35.71 (43.11) million euros. Equity ratio was 69.0% (78.4%). Liabilities totaled 10.68 (9.56) million euros. Cash and cash equivalents and marketable securities stood at 14.24 (15.66) million euros, constituting 39.9% of the balance sheet total.

Tekla Group's net sales and operating result are shown in the following tables.

Net sales, million euros

1.1.– 31.12.	2003	2002	Change, %	% of net sales
Building & Construction	16.89	17.44	-3.2	42.4
Energy & Utilities	13.12	15.48	-15.2	33.0
Public Infra	5.34	5.13	4.1	13.4
Defence	2.00	2.12	-5.7	5.0
Others	2.46	1.30	89.2	6.2
Total	**39.81**	**41.47**	**-4.0**	**100.0**

Operating result, million euros

1.1.–31.12.	2003	2002	Change, %
Building & Construction	0.51	1.80	-71.7
Energy & Utilities	-8.74*)	-4.83	-81.0
Public Infra	-0.83	-0.61	-36.1
Defence	0.21	0.16	31.3
Others	-0.60**)	-0.02	-2,900.0
Total	**-9.45**	**-3.50**	**-170.0**

*) includes the extraordinary depreciation of goodwill 5.55 million euros
**) includes the office rental provision of 0.5 million euros

INVESTMENTS

Gross investments amounted to 1.34 (5.58) million euros, consisting of normal acquisitions of hardware, software and equipment.

ADJUSTMENT MEASURES

Measures to decrease costs

In order to increase profitability, Tekla decreased and reorganized its subsidiary resources in Sweden, the United States and Germany at the beginning of 2003. The Brazilian subsidiary was closed down and a resale agreement was signed with a local company. Employees were dismissed from the Espoo office in compliance with the statutory cooperation procedure in connection with restructuring the Energy & Utilities business area's international operations in January. In March the company initiated statutory employer-employee negotiations in the Finnish organization due to production and financial reasons. The measures primarily affected the company's Energy & Utilities business area in Espoo and Kuopio. The aforementioned measures translate into savings corresponding to the personnel costs of approximately 70 employees annually, and they resulted in the dismissal of 40 employees.

The company took additional measures to lower its cost level with regard to other than personnel expenses. The results of increasing operational efficiency and permanent cost-saving measures were visible during the second half of the year. Tekla's costs at year's end were approximately 10% lower than at the beginning of the year. The achieved savings amounted to approximately four million euros.

Goodwill depreciation of Enfo business acquisition

Tekla estimated that the ability of the software acquired in the Enfo business deal to yield future earnings had decreased. Thus, the result of the second quarter includes an extraordinary one-time depreciation of goodwill in the amount of 5.55 million euros. This non-recurring depreciation had no effect on the company's cash balance.

Provision for rental expenses

Tekla's corporate headquarters in Espoo moved to new premises at Metsänpojankuja 1 in spring 2003. The old premises on Koronakatu left Tekla with a rental commitment until 2009 according to the rental agreement. Expenses for the reporting period include approximately 0.5 million euros provision, corresponding to one year's rental expenses of the Koronakatu premises.

CHANGES IN ORGANIZATION

Ari Kohonen, Tekla's new President and CEO, assumed his post on January 1, 2004. He was appointed as President and CEO in May 2003. Mr. Kohonen has been a Tekla employee since August 2003.

Heikki Multamäki, acting President since the beginning of December 2002, returned to his previous position as Director of the Energy & Utilities business area and Tekla Corporation's Vice President. He continues on the Tekla Management Team, and his responsibilities in the Management Team include the Public Infra and Defence business areas as well.

Leif Granholm, formerly in charge of the E&U business area, took charge of Tekla's Swedish and Norwegian subsidiaries as of the beginning of 2004. He also continues as a member of the Tekla Management Team.

In addition to Kohonen, Multamäki and Granholm, the Tekla Management Team for 2004 consists of Risto Räty, Director of the Building & Construction business area, Harri Nurmi, Director of the Corporate Planning unit, and Petri Raitio, Director of the Software Production unit.

Timo Keinänen, the company's Chief Financial Officer as of August 1, 2003, also continues as member of the Management Team. He joined Tekla on April 1, 2003. His predecessor, the company's long-time CFO Timo Taurén will retire in March 2004 at the age of 58.

BUSINESS AREAS

Building & Construction

The Building & Construction business area (B&C) develops and markets software products for engineering of steel and concrete structures.

The net sales of B&C amounted to 16.89 (17.44) million euros in 2003. Its operating result was 0.51 (1.80) million euros. International operations accounted for 97% (97%) of net sales.

No turn for the better took place in the building market. Sales were at a good level in Europe, but slower elsewhere. A slight increase in demand was seen in the United States towards the end of the year.

In 2003, the business area primarily invested in launching the new Tekla Structures product. Tekla Structures combines the versatile functionality of Tekla Xsteel and Tekla Xengineer to meet the needs of the entire structural design chain. The product launch was announced on February 10, 2004. The first software deliveries will take place in April 2004.

At the end of June 2003, Tekla signed a cooperation agreement with the Precast Concrete Software Consortium (PCSC), a representative of the North American precast concrete industry. The aim of the cooperation, which continues until the end of 2004, is to localize the Tekla software concept for the needs of the North American precast concrete industry. The pilot phase of the cooperation was concluded at the end of September, and the PCSC companies have made orders worth in excess of one million dollars. The first software deliveries took place in December 2003.

Cooperation with the US company Research Engineers International (REI), which was agreed upon early in 2003, continued according to plan, and REI began marketing Tekla Structures in the United States at the end of July. The first deliveries took place at the end of the year.

Tekla's representative office in China became a subsidiary, Tekla Software (Shanghai) Co. Ltd, in March 2003.

Tekla expects most growth to come from the Building & Construction business area. These expectations are based on the new Tekla Structures product, which expands Tekla's offering in two different directions in the field of building and construction. Tekla is expanding from the segment of steel construction to other materials, concrete in particular. In addition, expansion takes place also towards earlier phases of the engineering process, structural analysis and design. This means that there is growth potential throughout the present structural design field as it is moving from traditional ways of working to modern ones. In addition to this, potential can be found in the structural steel detailing software market, especially in the United States and the Far East.

Energy & Utilities

The Energy & Utilities business area (E&U) supplies energy companies with solutions that improve their commercial and operative efficiency and competitiveness.

The net sales of E&U amounted to 13.12 (15.48) million euros in 2003. Its operating result was -8.74 (-4.83) million euros, including an extraordinary depreciation of goodwill in the amount of 5.55 million euros. 2003 saw forceful cost cutting in the business area. International operations accounted for 30% (26%) of net sales.

Network information system sales in Finland remained relatively soft, as did the willingness of energy sales and distribution companies to make new investments. During the last few months of the year, there were cautious signs of a revival in demand, and several agreements on additional Tekla Xpower deliveries to existing customers were signed during the last quarter in Finland, Sweden and Norway. Deliveries will take place during the first two quarters of 2004.

Latvia's national energy company Latvenergo and Tekla signed a framework agreement on further deliveries of Tekla Xpower at the beginning of June. The framework agreement is a follow-up to an agreement signed two years ago. The agreement includes an option to extend the use of the system to cover all of Latvia.

The Hamburg electricity utility (Hamburgische Electricitäts-Werke, HEW) licensed an expansion of Tekla Xpower in April.

Tekla signed an agreement on implementing Tekla Forum-based Internet services with E.ON Finland Oyj (formerly Espoon Sähkö) in the third quarter. The project concluded at the turn of the year 2003/2004.

Noticeable further development of Tekla Forum with regard to customer service and contract management commenced in cooperation with customers.

The strategic objectives of the Energy & Utilities business area are focused on improving profitability based on the current product and customer base. The aim is to support and develop the operations of current customers with services that make using Tekla's systems even more effective. The internationalization of the Tekla Xpower network information system continues, and it enables moderate growth in the business area.

Public Infra

The Public Infra business area (PI) offers municipalities and municipal facilities software products and services for making municipal operations more efficient and developing information and other electronic services for residents.

The net sales of PI amounted to 5.34 (5.13) million euros in 2003. Its operating result was -0.83 (-0.61) million euros. International operations accounted for 8% (8%) of net sales.

The potential customer base of information systems for municipal technical services has grown in Finland. Completion of a system for land property management reinforces Tekla's position as supplier of solutions for the core processes of municipal technical departments.

Development of Tekla Xcity-based mobile services for the technical departments of the cities of Espoo and Jyväskylä was completed and system deliveries made at the end of 2003. Tekla Xcity Mobile extends the use of spatial and municipal information system data to outside the office, for instance in connection with building supervision inspections.

Tekla signed a cooperation agreement on the sales and marketing of Tekla Xcity in Italy. Market development is favorable to Tekla, as the role of local authorities in Italy will grow in the next few years.

Significant growth opportunities are seen in the Public Infra business area's market segments, which are based on a wide product portfolio, especially with regard to the Tekla Xcity product for municipal information management in the international market.

Defence

The Defence business area focuses on cooperation with the Finnish Defence Forces, developing reconnaissance, command and control systems that meet the requirements and needs of the customer on a project basis.

The business area's net sales amounted to 2.00 (2.12) million euros. Its operating result was 0.21 (0.16) million euros.

Deliveries of current projects proceeded according to plan. Cooperation with the Finnish Defence Forces continued steadily and showed a slight increase towards the end of the year.

The business area's cooperation with the Finnish Defence Forces means stable business regardless of economic fluctuations. Defence is linked to the Tekla entity through technology and production synergies. Due to the field of operation, the market potential of Defence is limited, but as the limits have not yet been reached, there are clear growth expectations in this business area.

RESEARCH AND PRODUCT DEVELOPMENT

The Software Production unit, which began operation at the beginning of 2003, is responsible for all product and technology development in Tekla. The unit's operations have proven that bringing Tekla's different products and technology development together has made operation more efficient and increased both productivity and internal cooperation. Technology development, which is also essential to Tekla, can be more easily controlled based on product needs.

The most significant development projects in software production concerned software products for the construction industry. Tekla developed its offering to new market segments in collaboration with its US partners, REI and PCSC. The development project was completed according to plan at the end of the year. The first deliveries of Tekla Structures will take place as scheduled in April 2004. REI's STAAD.Pro was integrated with Tekla software in order to meet the requirements of the precast concrete industry. The development work will continue in 2004.

Version 6.3 of the Tekla Xpower network information system, which was completed near the end of 2003, meets the needs of energy companies operating in geographically broad areas in particular. The distributed, fault-proof network monitoring application of the product version is important to potential new international customers. Development of the Tekla Forum customer information system and the Tekla EDM energy data management system continued.

The system for land property management created as a result of the integration and further development of Tekla's Xcity and Community software was completed in December 2003, and its implementation in municipalities is proceeding according to plan. Tekla Xcity Mobile also addressed the needs of municipalities.

PERSONNEL

The Group personnel averaged 428 (456) in 2003; on average 103 (109) worked outside Finland. In these figures, the number of part-time staff has been converted to correspond to full-time work contribution. At the beginning of the year, Tekla personnel totaled 473 including part-time staff, and at the end of the year 423, of whom 104 (107) worked outside Finland.

CHANGES IN OWNERSHIP

There were no significant changes in the ownership of Tekla Corporation in 2003.

ARBITRATIONS

Tekla Corporation terminated a resale agreement with the French company Graitec France SARL in September 2002 on the basis of the prohibition of competition clause. Graitec challenged the termination, filed a suit against Tekla in a court of arbitration and sought compensation of 2.7 million euros. In June 2003, Tekla filed its answer and a counterclaim amounting to more than four million euros against the Graitec Group. The legal process is still underway, and an arbitral award is expected during the spring of 2004.

Tekla Corporation and the Belgian company Buildsoft N.V. signed an agreement on cooperation in developing and marketing a structural engineering and calculation software product in 2000. In November 2003, Buildsoft presented Tekla with a compensation claim of 1.7 million euros, mainly due to lost sales revenue. Tekla filed its answer with the arbitrator in December 2003 and filed a counterclaim of some 1.1 million euros against Buildsoft. The legal process is unfinished, and an arbitral award will probably be issued by the summer of 2004.

From Tekla's view, the arbitration processes do not have a noticeable effect on Tekla's result.

CORPORATE GOVERNANCE

Governance at Tekla Corporation complies with the provisions of the Finnish Companies Act, which are supplemented by the Articles of Association and Tekla Corporation's own principles that conform to sound corporate governance. The company is managed by the Board of Directors and the President and CEO. The duties of the different bodies are determined according to Finnish legislation, the Articles of Association, and sound governance policy as defined by the company. Board members have no particular duties or separately specified supervisory responsibilities. Tekla operations comply with the recommendations of Helsinki Exchanges concerning insider trading.

ANNUAL GENERAL MEETING

Tekla Corporation's Annual General Meeting on March 20, 2003 adopted the financial statements for 2002 and discharged the CEO and the Board from liability.

The Annual General Meeting accepted the Board's proposal whereby the parent company's operating loss of 3,096,590 euros for the financial period was carried over in shareholders' equity and the share premium account was reduced by 328,185 euros in order to cover the loss shown in the balance sheet.

Board of Directors

Reino Heinonen, Heikki Marttinen and Jan-Mikael von Schantz were re-elected Board members and Ari Kohonen and Olli-Pekka Laine were elected new Board members. Timo Taurén was re-elected deputy Board member. In addition, Erkki Tammi was nominated to the Board as a representative of the personnel. Ari Halonen was nominated as his personal deputy. Heikki Marttinen continued as Chairman of the Board.

PricewaterhouseCoopers Oy were appointed auditors, with Jukka Ala-Mello, A.P.A, as the responsible auditor.

Amendment of § 5 of the Articles of Association

The Annual General Meeting accepted the Board's proposal to change the Articles of Association so that the company's personnel be allowed to elect a representative to the Board of Directors.

Authorizations

The Annual General Meeting authorized the Board to decide on the increase of the company's share capital by a maximum of 4,500,000 new shares with a nominal value of 0.03 euros. The authorization included the right to waive the pre-emptive rights of shareholders in the event of a compelling financial reason.

The Board was authorized for a one-year period to decide on the increase of the company's share capital in a directed issue of new shares for the Board, company personnel and personnel of its subsidiaries. A maximum total of 500,000 new shares with a nominal value of 0.03 euros could be subscribed in the personnel issue.

The Annual General Meeting also authorized the Board of Directors for a one–year period to decide on transferring Tekla Corporation shares acquired by the company. The maximum number of shares that could be transferred is 69,600 and their total nominal book value was 2,088 euros.

DIVIDEND POLICY

Tekla Corporation follows a dividend payment policy that reflects profit trends. As the operating result for 2003 was negative, no dividend will be distributed. Instead, the Board of Directors proposes to the Annual General Meeting 2004 that the share premium account be reduced by 10,237,734.41 euros in order to cover the loss shown in the balance sheet.

ADOPTING IFRS REPORTING AND ITS EFFECTS

Tekla will adopt IFRS reporting as of the beginning of 2005. According to preliminary estimates, the most noticeable differences in preparing the financial statements concern revenue recognition and the value of goodwill.

Principles of revenue recognition are changed so that some of the sales of the last quarter are carried over to the net sales of the following quarters. This change has already been implemented in the financial statements for 2003. Thus, the net sales and operating result for 2003 decreased by 0.6 million euros.

Regular depreciation of goodwill will be abandoned, and regular testing for value impairment adopted instead.

PROSPECTS

Tekla's net sales are estimated to grow moderately and its operating result to be positive in 2004.

Long-term growth expectations are placed especially on the Building & Construction business area, which launched the new Tekla Structures product in February, 2004.

Shares and share capital

The total number of Tekla Corporation shares at the end of 2003 was 22,586,200, of which the company owned 69,600. The total nominal value of those was 2,088 euros, representing 0.3% of the total share capital and the total number of votes. A total of 220,702.46 euros had been used for acquiring the company's own shares, and their market value was 134,328 euros on December 31, 2003. The nominal value of the share is 0.03 euros. At year's end, share capital stood at 677,586 euros.

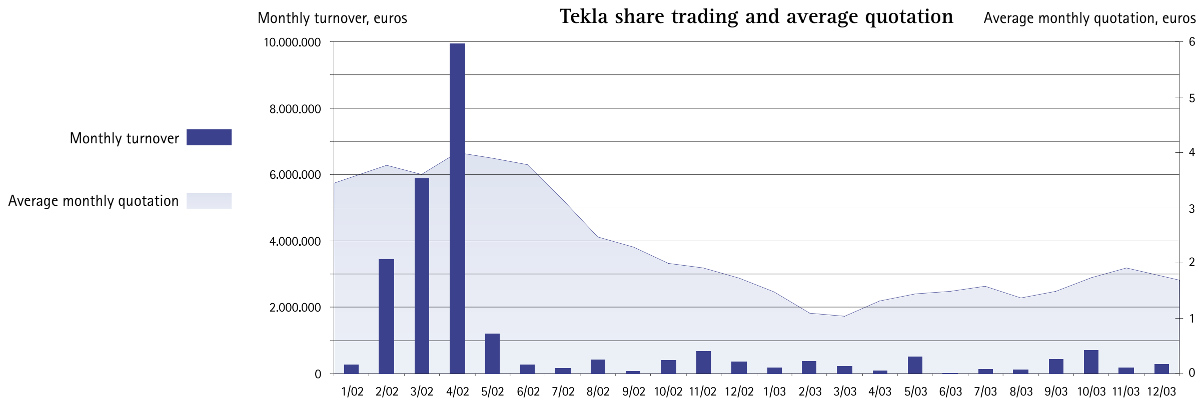
Share price trends and trading

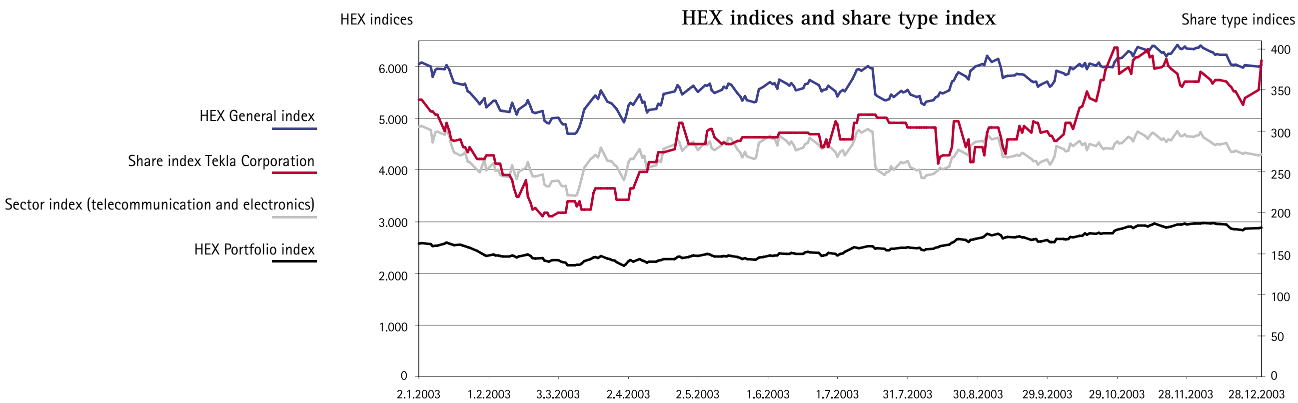
A total of 2,269,301 shares changed hands in 2003, amounting to 10% of the entire share capital. The highest quotation of the share was 2.15 euros, the lowest 0.98 euros. The average quotation was 1.46 euros. On the last trading day of 2003, trading closed at 1.93 euros. The taxation value for 2003 was set at 1.23 euros.

Ownership

Tekla Corporation's largest shareholder Gerako Oy owned 50.53% of the capital stock, and its ownership remained unchanged in 2003. Other significant owners included several investment funds and insurance companies. There were no major changes in the status of their ownerships.

The Board of Directors and the CEO owned or controlled 797,750 shares of Tekla Corporation at year's end. These shares represented 3.5% of share capital and votes. Based on options, they can subscribe to 92,644 shares, representing 0.4% of share capital and votes.





The largest shareholders 31.12.2003

	No. of shares	% of shares and votes
Gerako Oy	11,412,020	50.53
Tapiola General	884,600	3.92
Tapiola Pension	712,200	3.15
Mutual Fund Sampo Suomi Osake	565,600	2.50
Mutual Fund Gyllenberg Finlandia	500,000	2.21
Mutual Fund FIM Forte	492,000	2.18
Tapiola Life	480,550	2.13
Ereka Oy	475,000	2.10
Etera Mutual Pension Insurance Company	421,000	1.86
Gyllenberg Small Firm Fund	400,000	1.77
Ten largest, total	16,342,970	72.36
Others	6,243,230	27.64
Total	**22,586,200**	**100.00**

Ownership breakdown by sector 31.12.2003

	Shares, %	Votes, %
Companies	59.96	59.96
Financial and insurance institutions	18.49	18.49
Public-sector corporations	5.43	5.43
Non-profit organizations	3.34	3.34
Households	12.02	12.02
Foreign shareholders	0.75	0.75
Total	**100.00**	**100.00**

The number of nominee-registered shares 20,000, representing 0.09% of total stock, is included under "Financial and insurance institutions".

Ownership breakdown by number of shares 31.12.2003

	No. of shareholders	%	No. of shares	%
1-1,000	1,066	72.96	413,092	1.83
1,001-10,000	309	21.15	1,009,138	4.47
10,001-100,000	60	4.11	1,874,030	8.30
100,001- 500,000	22	1.51	5,715,520	25.31
500,001-1,000,000	3	0.21	2,162,400	9.57
1,000,001 -	1	0.07	11,412,020	50.53
Total	**1,461**	**100.00**	**22,586,200**	**100.00**

INCOME STATEMENT

1,000 euros	Note	Consolidated 2003	Consolidated 2002	Parent company 2003	Parent company 2002
Net sales	1	**39,806**	**41,469**	**33,522**	**34,683**
Change in inventories of finished goods and in work in progress (+/-)		– 52	– 64	– 12	– 99
Other operating income	2	510	952	964	1,247
Materials and services	3	–3,849	–4,142	–4,473	–4,633
Personnel expenses	4	–23,394	–24,966	–17,593	–18,551
Depreciation and value adjustments	5	–8,030	–2,517	–7,487	–1,977
Other operating expenses		–14,444	–14,230	–11,981	–11,695
Operating profit (loss)		**–9,453**	**–3,498**	**–7,060**	**–1,025**
Financial income and expenses	6	130	319	–2,454	–1,494
Profit (loss) before extraordinary items		**–9,323**	**–3,179**	**–9,514**	**–2,519**
Profit (loss) before appropriations and taxes		**–9,323**	**–3,179**	**–9,514**	**–2,519**
Appropriations	7			– 713	– 571
Income taxes	8	– 180	270	– 11	– 7
Net profit (loss) for the period		**–9,503**	**–2,909**	**–10,238**	**–3,097**

BALANCE SHEET

1,000 euros	Note	Consolidated 2003	Consolidated 2002	Parent company 2003	Parent company 2002
ASSETS					
Fixed assets and other long-term investments	9				
Intangible assets		9,585	15,864	9,324	15,521
Goodwill on consolidation		100	192		
Tangible assets		1,553	2,048	1,258	1,542
Long-term investments		183	170	2,497	2,148
Total fixed assets and long-term investments		**11,421**	**18,274**	**13,079**	**19,211**
Current assets					
Inventories	10	116	168	116	129
Deferred tax assets	11	624	801		
Short-term receivables	12	9,308	8,206	9,374	10,055
Marketable securities		10,419	12,854	10,419	12,854
Cash and cash equivalents		3,819	2,810	1,996	1,661
Total current assets		**24,286**	**24,839**	**21,905**	**24,699**
TOTAL ASSETS		**35,707**	**43,113**	**34,984**	**43,910**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	13				
Share capital		678	678	678	678
Share premium account		31,680	32,008	31,680	32,008
Reserve for own shares		134	110	134	110
Legal reserve		1,323	1,323	1,323	1,323
Translation differences		- 159	- 8		
Retained earnings		150	2,337	0	2,768
Net profit (loss) for the period		-9,503	-2,909	-10,238	-3,097
Shareholders' equity total		**24,303**	**33,539**	**23,577**	**33,790**
Minority interest			**10**		
Accumulated appropriations	14			**2,252**	**1,538**
Provisions	15	**721**		**721**	
Liabilities					
Long-term liabilities	16	1,525	1,803	1,525	1,803
Short-term liabilities	17	9,158	7,761	6,909	6,779
Liabilities total		**10,683**	**9,564**	**8,434**	**8,582**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**35,707**	**43,113**	**34,984**	**43,910**

CASH FLOW STATEMENT

1,000 euros	Consolidated 2003	Consolidated 2002	Parent company 2003	Parent company 2002
Cash flow from operating activities:				
Profit (loss) before extraordinary items	-9,323	-3,179	-9,514	-2,519
Adjustments:				
Depreciation according to plan	8,030	2,517	7,487	1,977
Other operating income and expenses (not received or paid)	207	24	104	- 1
Financial income and expenses	- 130	- 319	2,454	1,494
Other adjustments	253	- 69	- 13	- 1
Cash flow before change in working capital	- 963	-1,026	518	950
Change in working capital:				
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-1,585	7,414	-2,563	4,372
Increase (-) / decrease (+) in inventories	52	64	12	99
Increase (+) / decrease (-) in non-interest-bearing short-term liabilities	2,123	-2,415	843	-1,334
Cash flow from operations before financial items and taxes	- 373	4,037	-1,190	4,087
Interest paid and payments of other financial expenses	- 61	- 203	- 56	- 187
Dividend received				196
Interest received	423	684	458	734
Other financial income and expenses	- 198	- 196	- 169	- 187
Income taxes paid	223	-1,429	290	-1,223
Cash flow before extraordinary items	14	2,893	- 667	3,420
Net cash provided by (used in) operating activities (A)	**14**	**2,893**	**- 667**	**3,420**
Cash flow from investing activities:				
Investments in tangible and intangible assets	-1,273	-5,569	-1,102	-5,241
Proceeds from sale of tangible and intangible assets	153	54	111	21
Other investments	- 3	- 1	- 3	- 1
Proceeds from sale of other investments	14		14	
Investments in subsidiaries	- 64		- 186	- 20
Net cash used in (provided by) investing activities (B)	**-1,173**	**-5,516**	**-1,166**	**-5,241**
Cash flow from financing activities:				
Investment in own shares		- 6		- 6
Increase (+) / decrease (-) in short-term debt				- 90
Proceeds from long-term debt	217	344	217	344
Repayments of long-term debt	- 484	- 411	- 484	- 411
Dividends paid and other distributions of profits		- 901		- 901
Net cash provided by (used in) financing activities (C)	**- 267**	**- 974**	**- 267**	**-1,064**
Increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	**-1,426**	**-3,597**	**-2,100**	**-2,885**
Cash and cash equivalents at beginning of year	15,664	19,261	14,515	17,400
Cash and cash equivalents at end of year	**14,238**	**15,664**	**12,415**	**14,515**

NOTES TO THE FINANCIAL STATEMENTS

Tekla's parent company is Gerako Oy, domiciled in Espoo.
Copies of the Gerako Group Financial Statements are available from Gerako Oy, Koronakatu 2, 02210 Espoo.

ACCOUNTING PRINCIPLES

Principles used for the consolidated financial statements

The consolidated financial statements include the parent company Tekla Corporation and the subsidiaries in which the parent company owns over 50% of the voting rights, either directly or indirectly. The subsidiaries acquired during the year are included from the date of acquisition.

All inter-Group transactions, unrealized margins, liabilities and receivables, and profit distribution are eliminated.

In the consolidated financial statements, the income statements of foreign subsidiaries are translated into euros at the average rate for the year and balance sheets at the average rate of the balance sheet date. An exchange rate difference resulting from translation of the income statement and balance sheet at different rates is entered under consolidated retained earnings.

Company acquisitions are accounted for using the purchase method. The exchange differences arising from the application of the purchase method are entered under consolidated shareholders' equity.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rates prevailing on the transaction dates. At the end of the accounting period, the unsettled receivables and debts are valued at the exchange rate of the balance sheet date. All foreign exchange gains and losses are entered as exchange rate differences in the income statement under financial income and expenses.

Derivative contracts

The Group makes derivative contracts to hedge against the exchange rate risks of prospective sales agreements. Foreign exchange gains and losses on forward contracts and currency options are recognized in the income at the same time as the hedged cash flow.

Revenue recognition

When net sales are calculated, indirect sales taxes and discounts are deducted from sales income.

Revenue from goods or services sold is recognized at the time of delivery, except for revenue on significant (> 0.5 million euros) long-term contracts, which is recognized on the percentage of completion method. The degree of completion is calculated on the basis of the actual expenses and the total cost estimate.

Research and product development expenses

Research and product development costs have been expensed in the financial period during which they are incurred.

Fixed assets and other long-term investments

The balance sheet figures for fixed assets are based on historical costs. The fixed assets are depreciated or amortized using the straight-line method, based on the useful life of the asset. The useful lives are as follows:

Intangible rights	10 years
Goodwill	5 – 15 years
Goodwill on consolidation	5 years
Other capitalized expenditures	2 – 6 years
Machinery and equipment	2 – 5 years

The goodwill of the software products acquired in the Enfo business deal is depreciated in 15 years. Because the ability of the software to yield earnings in the future has decreased, the result of the second quarter includes an extraordinary one-time depreciation of goodwill in the amount of 5.55 million euros.

Fixed assets are stated in the Notes at acquisition cost less accumulated depreciation. Acquisition cost includes only the commodities for which the acquisition cost has not yet been depreciated or amortized totally according to plan. Ordinary sales gains and losses on intangible fixed assets and machinery and equipment are included in other operating income and expenses.

Own shares

The company's own shares are included in fixed assets and other long-term investments. Own shares are valued at acquisition cost or lower market value. In calculating share related data, the company's own shares are excluded from shareholders' equity and number of shares.

Leasing

Operating lease payments are treated as monthly rental expenses. Outstanding rents on leasing contracts are presented as contingent liabilities in the Notes.

Pension arrangements

The Group companies' pension expenses entered in the consolidated financial statements are calculated according to the local practice of each country.

The pension arrangements of the Group companies comply with local regulations and practices. Employee pension security is organized through outside pension insurance companies.

Provisions

Provisions comprise expenses and losses from the concluded or previous financial periods that are considered certain or probable at the time of preparing the financial statements but which are uncertain in amount or timing. Changes in provisions are shown in the income statement under the appropriate expense item, e.g. pension liability is shown in personnel expenses.

Income taxes

Income taxes include taxes based on the results of the Group companies and are calculated according to the local tax rules of each country. Income taxes include tax adjustments on previous years and deferred taxes. The deferred tax asset has been calculated with extreme prudence for temporary differences between the tax basis of assets and liabilities and their values in financial reporting.

NOTES TO THE FINANCIAL STATEMENTS

In 1,000 euros unless otherwise noted.

		Consolidated		Parent company	
		2003	2002	2003	2002
1.	**Net sales by market area**				
	Finland	19,074	20,104	19,034	20,075
	Rest of Europe	12,829	12,525	8,329	7,679
	Americas	4,606	5,045	3,312	3,367
	Asia and Australia	3,163	3,621	2,713	3,389
	Other countries	134	174	134	173
	Total	**39,806**	41,469	**33,522**	34,683
	Net sales by percentage of completion		771		771
	Other net sales	39,806	40,698	33,522	33,912
	Total	**39,806**	41,469	**33,522**	34,683
	The revenue on long-term contracts entered under net sales according to the percentage of completion method in 2003 and previous fiscal years		3,852		3,852
	The revenue on long-term contracts not entered under net sales		0		0
2.	**Other operating income**				
	Sales gains from fixed assets	13	49	13	33
	Service charges from Group companies		16	485	334
	Product development and other subsidies	244	880	244	880
	Other	253	7	222	
	Total	**510**	952	**964**	1,247
3.	**Materials and services**				
	Purchase of materials during the year	2,180	1,371	2,062	1,022
	External services	1,669	2,771	2,411	3,611
	Total	**3,849**	4,142	**4,473**	4,633
4.	**Personnel expenses**				
	Salaries and fees	19,269	20,370	14,645	15,160
	Pension expenses	2,956	2,838	2,529	2,530
	Other social expenses	1,169	1,758	419	861
	Total	**23,394**	24,966	**17,593**	18,551
	Salaries and fees paid to the Board members and the Managing Directors	1,530	1,914	495	477

Management pension arrangements:
Retirement ages in the Group companies are determined according to the pension legislation of each country.

		Consolidated 2003	Consolidated 2002	Parent company 2003	Parent company 2002
	Personnel:				
	On average	428	456	332	356
	End of period,	423	473	326	375
	of which part-time employees	31	33	25	32

		Consolidated		Parent company	
		2003	2002	2003	2002
5.	**Depreciation**				
	Intangible assets				
	Intangible rights	18	18	18	18
	Goodwill	6,442	1,202	6,398	1,159
	Goodwill on consolidation	157	92		
	Other capitalized expenditure	695	503	599	409
	Tangible assets				
	Machinery and equipment	718	702	472	391
	Total	**8,030**	2,517	**7,487**	1,977

The goodwill depreciation includes a one-time depreciation of 5.55 million euros of software products acquired in the Enfo business deal.

		Consolidated		Parent company	
		2003	2002	2003	2002
6.	**Financial income and expenses**				
	Dividend income from Group companies				196
	Other interest and financial income				
	From Group companies			57	76
	From others	385	680	366	650
	Total	**385**	680	**423**	726
	Exchange rate differences	**–198**	–195	**–171**	–187
	Value adjustments of long-term investments				
	Shares in subsidiaries			–165	–273
	Loans receivable from subsidiaries			–2,488	–1,806
	Total			**–2,653**	–2,079
	Interest and financial expenses				
	To Group companies			–5	–1
	To others	–57	–166	–48	–149
	Total	**–57**	–166	**–53**	–150
	Financial income and expenses total	**130**	319	**–2,454**	–1,494
7.	**Appropriations**				
	Difference between depreciation according to plan and depreciation applied in taxation			**713**	571
8.	**Direct taxes**				
	Income taxes on operations	3	193	11	7
	Change in deferred tax assets	-30	-629		
	Change in deferred tax liabilities	207	166		
	Total	**180**	-270	**11**	7

9. Fixed assets and other long-term investments

Consolidated	Intangible assets					Tangible assets
	Intangible rights	Goodwill	Goodwill on consolidation	Other capitalized expenditure	**Total**	Machinery and equipment
Acquisition cost Jan. 1	182	16,127	430	2,802	19,541	4,569
Translation differences		2		– 24	– 22	– 109
Additions			65	884	949	389
Disposals				– 1	– 1	– 172
Acquisition cost Dec. 31	**182**	**16,129**	**495**	**3,661**	**20,467**	**4,677**
Accumulated depreciation Jan. 1	73	1,564	238	1,610	3,485	2,521
Translation differences		1		– 16	– 15	– 82
Accumulated depreciation on disposals						– 33
Depreciation for the year	18	6,442	157	695	7,312	718
Accumulated depreciation Dec. 31	**91**	**8,007**	**395**	**2,289**	**10,782**	**3,124**
Net book value Dec. 31	**91**	**8,122**	**100**	**1,372**	**9,685**	**1,553**

Parent company	Intangible assets				Tangible assets
	Intangible rights	Goodwill	Other capitalized expenditure	**Total**	Machinery and equipment
Acquisition cost Jan. 1	183	15,909	2,455	18,547	3,146
Additions			817	817	285
Disposals			– 1	– 1	– 115
Acquisition cost Dec. 31	**183**	**15,909**	**3,271**	**19,363**	**3,316**
Accumulated depreciation Jan. 1	74	1,503	1,449	3,026	1,604
Accumulated depreciation on disposals			– 2	– 2	– 18
Depreciation for the year	18	6,398	599	7,015	472
Accumulated depreciation Dec. 31	**92**	**7,901**	**2,046**	**10,039**	**2,058**
Net book value Dec. 31	**91**	**8,008**	**1,225**	**9,324**	**1,258**

Consolidated	Investments		
	Other shares and holdings	Own shares	**Total**
Acquisition cost Jan. 1	60	221	281
Additions	3		3
Disposals	– 14		– 14
Acquisition cost Dec. 31	**49**	**221**	**270**
Accumulated depreciation Jan. 1		111	111
Write-downs		– 24	– 24
Accumulated depreciation Dec. 31	**0**	**87**	**87**
Net book value Dec. 31	**49**	**134**	**183**

Parent company	Investments					
	Shares in Group companies	Loans receivable from subsidiaries	Capital loan receivables from subsidiaries	Other shares and holdings	Own shares	**Total**
Acquisition cost Jan. 1	1,034	2,144	879	60	221	4,338
Additions	186	2,488	315	3		2,992
Disposals				– 14		– 14
Acquisition cost Dec. 31	**1,220**	**4,632**	**1,194**	**49**	**221**	**7,316**
Accumulated depreciation Jan. 1	273	1,806			111	2,190
Write-downs	165	2,488			– 24	2,629
Accumulated depreciation Dec. 31	**438**	**4,294**	**0**	**0**	**87**	**4,819**
Net book value Dec. 31	**782**	**338**	**1,194**	**49**	**134**	**2,497**

Shares in subsidiaries	Domicile	Holding %
Tekla AS	Norway	100
Tekla GmbH	Germany	100
Tekla Inc.	U.S.A.	100
Tekla K.K.	Japan	100
Tekla (M) Sdn. Bhd.	Malaysia	100
Tekla Sarl	France	100
Tekla Software AB	Sweden	100
Tekla (UK) Ltd.	England	100
Tekla Software (Shanghai) Co. Ltd	China	100

Besides the subsidiaries, Tekla Corporation also has representative offices in Dubai, the United Arab Emirates, and in Latvia.

	Consolidated		Parent company	
	2003	2002	2003	2002
10. Inventories				
Work in progress	107	120	107	120
Finished goods	9	48	9	9
Total	**116**	168	**116**	129

	Consolidated 2003	Consolidated 2002
11. Deferred tax assets and liabilities		
Deferred tax assets from timing differences	1,277	1,247
Deferred tax liabilities from appropriations	– 653	– 446
Total	**624**	801

The defererred tax assets from the losses of the Group companies accounted for 4.6 million euros, of which 1.3 million euros have been booked as deferred tax assets with extreme prudence.

	Consolidated 2003	Consolidated 2002	Parent company 2003	Parent company 2002
12. Short-term receivables				
Receivables from others				
Accounts receivable	8,388	6,094	4,917	3,989
Other receivables	176	218	26	28
Prepaid expenses and accrued income	744	1,894	537	1,704
Total	**9,308**	8,206	**5,480**	5,721
Receivables from Group companies				
Accounts receivable			3,030	2,206
Loans receivable			150	1,666
Other receivables			714	462
Total			**3,894**	4,334
Short-term receivables total	**9,308**	8,206	**9,374**	10,055
Prepaid expenses and accrued income				
Accrued product development and other subsidies	189	706	189	706
Accrued income related to long-term contracts	229	433	229	433
Other prepaid expenses and accrued income	326	755	119	565
Total	**744**	1,894	**537**	1,704

	Consolidated		Parent company	
	2003	2002	2003	2002
13. Shareholders' equity				
Share capital Jan. 1	678	678	678	678
Share capital Dec. 31	**678**	678	**678**	678
Share premium account Jan. 1	32,008	32,008	32,008	32,008
Transfer to retained earnings	– 328		– 328	
Share premium account Dec. 31	**31,680**	32,008	**31,680**	32,008
Reserve for own shares Jan. 1	110	215	110	215
Additions		6		6
Write-downs	24	– 111	24	– 111
Reserve for own shares Dec. 31	**134**	110	**134**	110
Legal reserve Jan. 1	1,323	1,323	1,323	1,323
Legal reserve Dec. 31	**1,323**	1,323	**1,323**	1,323
Translation differences	**– 159**	– 8		
Retained earnings Jan. 1	– 572	3,320	– 328	3,675
Payment of dividend		– 901		– 901
Transfer from share premium account	328	– 6	328	– 6
Exchange rate differences	394	– 76		
Retained earnings Dec. 31	**150**	2,337	**0**	2,768
Net profit (loss) for the period	**–9,503**	–2,909	**–10,238**	–3,097
Total shareholders' equity	**24,303**	33,539	**23,577**	33,790
Calculation of distributable funds				
Retained earnings Dec. 31	150	2,337	0	2,768
Net profit (loss) for the period	–9,503	–2,909	–10,238	–3,097
Equity share of accumulated depreciation difference	–1,599	–1,092		
Distributable funds of shareholders' equity	**–10,952**	–1,664	**–10,238**	– 329

On December 31, 2003, Tekla Group (parent company) owned 69,600 own shares, total nominal value of those being 2,088 euros and acquisition cost 220,702 euros and book value 134,328 euros. The company's own shares correspond to 0.3 percent of share capital and votes.

14. Accumulated appropriations		
Difference between depreciation according to plan and depreciation applied in taxation		
Goodwill	2,070	1,327
Machinery and equipment	182	211
Total	**2,252**	1,538

	Consolidated		Parent company	
	2003	2002	2003	2002
15. Provisions				
Pension provisions	221		221	
Other provisions	500		500	
Total	**721**		**721**	

0.5 million euros, corresponding to one year's rent of the Koronakatu premises, have been expensed and added in provisions for the financial year 2003. Other provisions are provisions for unemployment pensions of dismissed personnel.

	Consolidated 2003	Consolidated 2002	Parent company 2003	Parent company 2002
16. Long-term liabilities				
Other long-term liabilities	**1,525**	1,803	**1,525**	1,803
Loans maturing after more than five years				
Other long-term liabilities		155		155
17. Short-term liabilities				
Liabilities to others				
Advances received	544	360	366	359
Accounts payable	1,083	1,068	939	873
Other liabilities	2,096	1,899	1,602	1,382
Accrued expenses and deferred income	5,431	4,427	3,255	3,466
Total	**9,154**	7,754	**6,162**	6,080
Liabilities to Group companies				
Accounts payable	4	7	662	638
Accrued expenses and deferred income			85	61
Total	**4**	7	**747**	699
Short-term liabilities total	**9,158**	7,761	**6,909**	6,779
Accrued expenses and deferred income				
Accrued salaries and social expenses	3,063	3,471	2,618	3,046
Income taxes	1	13		
Periodization of sales	2,057	415	528	195
Other accrued expenses and deferred income	310	528	194	286
Total	**5,431**	4,427	**3,340**	3,527
18. Collaterals, contingent liabilities and other commitments				
Commitments for which business mortgages are pledged as collateral				
Guarantees on behalf of own commitments	**109**	340	**109**	340
Mortgages				
Business mortgages	**505**	505	**505**	505

	Consolidated		Parent company	
	2003	2002	2003	2002
18. Collaterals, contingent liabilities and other commitments				
Other contingent liabilities				
Guarantees on behalf of own commitments	66	83		
Guarantees on behalf of subsidiaries' commitments			66	66
Pledges given	8	15		
Total	**74**	98	**66**	66
Leasing and rental agreement commitments				
Premises				
Due during the next financial year	1,886	2,472	1,381	1,880
Due later	5,991	8,169	5,290	7,030
Total	**7,877**	10,641	**6,671**	8,910
Other				
Due during the next financial year	790	943	559	719
Due later	850	715	512	379
Total	**1,640**	1,658	**1,071**	1,098
Total	**9,517**	12,299	**7,742**	10,008
19. Derivative contracts				
Currency forward contracts				
Fair value of underlying instruments		1,640		1,640
Nominal value of underlying instruments		1,852		1,852
Currency options				
Purchased				
Fair value of underlying instruments	841	1,500	841	1,500
Nominal value of underlying instruments	841	1,587	841	1,587
Written				
Fair value of underlying instruments	1,681	1,500	1,681	1,500
Nominal value of underlying instruments	1,601	1,498	1,601	1,498

The derivative contracts are used for hedging US dollar-based sales.

20. Legal proceedings and claims

Tekla Corporation terminated a resale agreement with the French company Graitec France SARL in September 2002 on the basis of the prohibition of competition clause. Graitec challenged the termination, filed a suit against Tekla in a court of arbitration and sought compensation of 2.7 million euros. In June 2003, Tekla filed its answer and a counterclaim amounting to more than four million euros against the Graitec Group. The legal process is still underway, and an arbitral award is expected during the spring of 2004.

Tekla Corporation and the Belgian company Buildsoft N.V. signed an agreement on cooperation in developing and marketing a structural engineering and calculation software product in 2000. In November 2003, Buildsoft presented Tekla with a compensation claim of 1.7 million euros, mainly due to lost sales revenue. Tekla filed its answer with the arbitrator in December 2003 and filed a counterclaim of some 1.1 million euros against Buildsoft. The legal process is unfinished, and an arbitral award will probably be issued by the summer of 2004.

From Tekla's view, the arbitration processes do not have a noticeable effect on Tekla's result.

Number of option rights and right to subscribe new shares

An Extraordinary General Meeting on May 16, 2000 authorized the Board of Directors to decide on the issue of option rights to staff members of the company and its subsidiaries. A maximum of 1,000,000 option warrants could be issued, divided into four 250,000 warrant tranches. The warrants are marked A, B, C or D. Each warrant entitles the holder to subscribe one share, with a nominal value of 0.03 euros. Tekla Corporation's share capital can be raised by a total of 1,000,000 new shares or 30,000 euros as a result of subscriptions.

The Annual General Meeting on March 21, 2002, decided to increase the number of option rights by 500,000 in order to include the staff members transferred to Tekla after the acquisition of business operations from Enfo Group Plc. The total number of option rights therefore became 1,500,000, which has been divided into four 375,000 warrant tranches. The warrants are marked with the letters A, B, C or D.

Share subscription period

The share subscription period under the various warrants is as follows:

A 1.10.2001, **B** 1.10.2002, **C** 1.10.2003, **D** 1.10.2004

The subscription periods for all the warrants ends on 31.10.2005.

Subscription price

The subscription price for various warrants is as follows:

- A: the final subscription price paid for the share in the public issue (5.00 euros)
- B: the mean between the final subscription price in the public issue and averaged trading-weighted price in October 2000 (5.01 euros)
- C: the mean between the final subscription price in the public issue and averaged trading-weighted price in October 2001 (4.11 euros)
- D: the mean between the final subscription price in the public issue and averaged trading-weighted price in October 2002 (3.50 euros)

Shareholder rights

The shares entitle holders to full dividend for the financial year during which the shares are subscribed.

Warrants of the Board and the CEO

If all the warrants are used to subscribe company shares, the total number of shares will rise by 1,500,000, corresponding to 6.6% of total stocks. The members of the Board and the CEO have 92,644 warrants, corresponding to 0.4% of shares and votes.

Calculation of financial indicators

Equity ratio, % =	Shareholders' equity	Balance sheet total – Advances received	x 100
Net gearing, % =	Interest-bearing liabilities – Cash and cash equivalents	Shareholders' equity	x 100
Return on investment, %	Profit before extraordinary items + Financial expenses	Balance sheet total – Non-interest-bearing liabilities (average for the year)	x 100
Return on equity, % =	Profit before extraordinary items – Taxes	Shareholders' equity (average for the year)	x 100
Earnings per share =	Profit before extraordinary items – Taxes	Average number of shares	
Equity per share =	Shareholders' equity	Number of shares at the end of the year	
Dividend to earnings ratio, % =	Dividend per share	Earnings per share	x 100
Effective dividend yield, % =	Dividend per share	Share price at the end of the year	x 100
Price / earnings ratio =	Share price at the end of the year	Earnings per share	
Market capitalization =	Number of shares at the end of the year x share price at the close of the year		

Million euros	2003	2002	2001	2000	1999
SCALE OF OPERATIONS:					
Net sales	**39.81**	41.47	39.20	26.47	18.09
Change, %	**-4.0**	5.8	48.1	46.3	39.5
Exports and international operations	**20.73**	21.36	22.44	18.50	9.50
Change, %	**-3.0**	-4.8	21.3	94.7	141.1
% of net sales	**52.1**	51.5	57.2	69.9	52.5
Balance sheet total	**35.71**	43.11	50.61	30.79	9.82
R&D expenses	**12.28**	12.08	9.69	7.41	5.07
% of net sales	**30.8**	29.1	24.7	28.0	28.0
Capital expenditures	**1.34**	5.58	14.31	1.33	1.27
% of net sales	**3.4**	13.4	36.5	5.0	7.0
Personnel, on average	**428**	456	382	268	205
Net sales / employee (1,000 euros)	**93.0**	90.9	102.6	98.8	88.3
Personnel expenses / employee (1,000 euros)	**54.7**	54.7	54.5	52.5	47.9
PROFITABILITY:					
Operating profit (loss)	**-9.45**	-3.50	2.50	0.84	0.22
% of net sales	**-23.7**	-8.4	6.4	3.2	1.2
Profit (loss) before extraordinary items	**-9.32**	-3.18	3.60	1.32	0.29
% of net sales	**-23.4**	-7.7	9.2	5.0	1.6
Profit (loss) before appropriations and taxes	**-9.32**	-3.18	3.60	1.32	1.01
% of net sales	**-23.4**	-7.7	9.2	5.0	5.6
Return on equity (ROE), %	**-33.0**	-8.2	7.9	6.7	7.8
Return on investment (ROI), %	**-29.9**	-8.0	12.0	9.3	7.6
Operating profit (loss) / employee (1,000 euros)	**-22.1**	-7.7	6.6	3.1	1.1
FINANCING AND FINANCIAL POSITION:					
Shareholders' equity	**24.17**	33.44	37.37	23.14	2.75
Interest-bearing liabilities	**2.02**	2.29	2.35	2.19	2.12
Non-interest-bearing liabilities	**9.38**	7.28	10.68	5.45	4.94
Equity ratio, %	**69.0**	78.4	75.4	75.4	31.9
Net gearing, %	**-50.6**	-40.0	-45.2	-73.7	48.3
SHARE RELATED DATA:					
Earnings per share (euros)	**-0.42**	-0.13	0.12	0.05	0.01
Equity per share (euros)	**1.07**	1.49	1.66	1.19	0.18
Dividend per share (euros)	**0.000** 1)	0.000	0.040	0.020	0.006
Dividend to earnings ratio, %	**0.0**	0.0	34.4	41.3	51.4
Effective dividend yield, %	**0.0**	0.0	1.2	0.4	
Price /earnings ratio	**-4.6**	-12.2	29.3	106.8	
Share prices, euros					
- year's lowest	**0.98**	1.50	2.62	4.00	
- year's highest	**2.15**	4.12	5.15	5.25	
- year's average	**1.46**	3.54	3.44	4.97	
- on December 31	**1.93**	1.58	3.40	5.18	
Market capitalization	**43.46**	35.58	76.56	100.95	
Share turnover (in 1,000's)	**2,269**	6,533	3,046	2,260	
Share turnover, %	**10.1**	29.0	13.5	11.6	
No. of issue-adjusted shares at year-end	**22,516,600**	22,516,600	22,518,200	19,488,500	15,488,500
Average no. of issue-adjusted shares	**22,516,600**	22,516,631	20,588,996	17,969,374	15,104,125

1) The Board's proposal to the AGM.
In calculation of share related data, the company's own shares have been deducted from the total number of shares, and the value of own shares from shareholders' equity.
See page 22 for calculation of financial indicators.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

According to the consolidated balance sheet of December 31, 2003, the Group has no distributable funds.

The Board of Directors proposes that the parent company's operating loss of 10,237,734.41 euros for the financial period be carried over in shareholders' equity and the share premium account be reduced by 10,237,734.41 euros in order to cover the loss shown in the balance sheet.

Espoo, February 9, 2004

Heikki Marttinen
Chairman

Reino Heinonen

Jan-Mikael von Schantz

Olli-Pekka Laine

Erkki Tammi

Ari Kohonen
President and CEO

AUDITORS' REPORT

To the shareholders of Tekla Corporation

We have audited the accounting, the financial statements and the corporate governance of Tekla Corporation for the financial year 2003. The financial statements prepared by the Board of Directors and the CEO include a Board of Directors' report, consolidated and parent company income statements, balance sheets and notes to the financial statements. Based on our audit, we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimate made by the management as well as evaluating the overall financial statement presentation. The audit of corporate governance is conducted to examine that the members of the Board of Directors and the CEO 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 the 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, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the CEO of the parent company can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

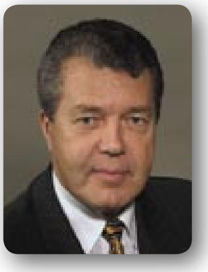
Espoo, February 27, 2004

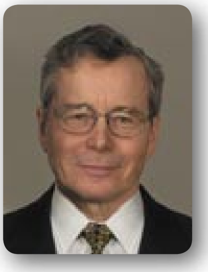
PricewaterhouseCoopers Oy
Authorized Public Accountants

Jukka Ala-Mello
Authorized Public Accountant

BOARD OF DIRECTORS

Heikki Marttinen
Chairman of the Board of Tekla Corporation
Strategic Management Consultant



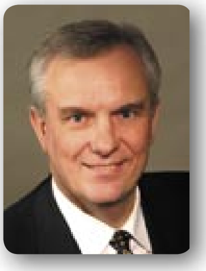


Reino Heinonen
Member of the Board of Tekla Corporation
Chairman of the Board of Ereka Oy

Ari Kohonen
Tekla's President and CEO
Member of the Board of Tekla Corporation
Member of the Board of Gerako Oy

Olli-Pekka Laine
Deputy Chairman of the Board of
Tekla Corporation
Managing Director of Tapiola Pension

Jan-Mikael von Schantz
Member of the Board of Tekla Corporation
Managing Director
IFL - Swedish Institute of Management



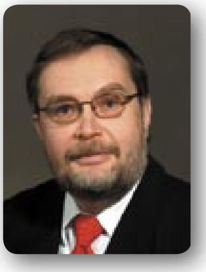
Timo Taurén
Deputy Member of the Board of Tekla Corporation
Tekla Corporation's CFO and Member of Tekla
Management Team until 31.7.2003

Erkki Tammi
Personnel's Representative
Senior Consultant /Tekla Defence

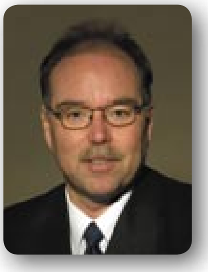
Ari Halonen
Deputy of the Personnel's Representative
Manager /Tekla E&U, Service/Projects

MANAGEMENT TEAM

Ari Kohonen
President and CEO as of 1.1.2004
Member of the Board of Tekla Corporation



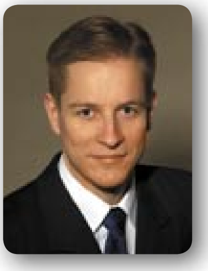
Heikki Multamäki
Executive Vice President
Energy & Utilities as of 1.1.2004
President and CEO until 31.12.2003



Leif Granholm
Executive Vice President
Director of Tekla's subsidiaries in
Sweden and Norway as of 1.1.2004

Timo Keinänen
CFO as of 1.8.2003

Harri Nurmi
Vice President
Corporate Planning



Petri Raitio
Vice President
Software Production

Risto Räty
Executive Vice President
Building & Construction