

**PI**  
PI-GROUP



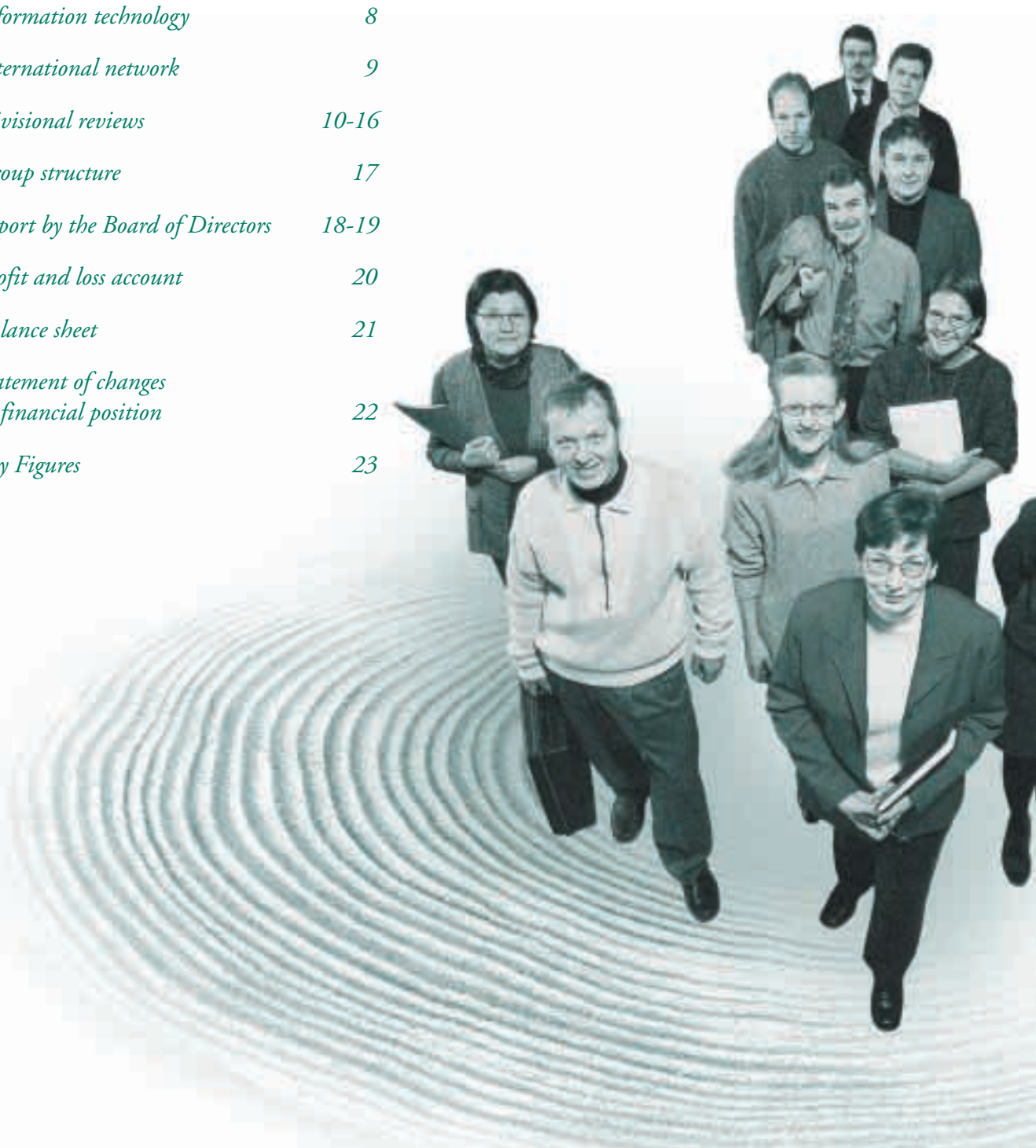
ANNUAL REVIEW  
2000

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## FINANCIAL INFORMATION

During financial year 2001, the company will draw up to two interim reports published on the Internet pages of PI-Group at [www.pigroup.fi](http://www.pigroup.fi) in June (January-April 2001) and in October (May-August 2001).



# INNOVATIVE PARTNER

PI-Group is a consulting and engineering company specialised in industrial services. The company provides consulting, engineering, maintenance and project management services required by its customers in operational and technological development, investment projects and production.

In accordance with our strategy, we develop and supply our selected customer segments with expert services based on our core expertise. Our customer co-operation and business processes emphasise customer focus, expertise and resource management. In the development of services and of the related areas of expertise, particular emphasis is placed on technology, information technology, operational processes and project management. Some of the expertise relating to our services and products is acquired through a partnership network.



The key areas in the development of personnel and working community are challenging assignments, continuous learning, team work and an encouraging compensation system.

We aim at constant and profitable growth by advancing and expanding the service offered to our key customers and by extending our international operations in co-operation with local partners and joint ventures.

## VISIONS

- Expert partner providing added value
- Flexible, customer-oriented expertise and resource networks
- Forerunner in the application of information technology
- More than half of turnover derived from international operations
- Profitable growth and good return on investments

### OUR SERVICES

Consulting services  
Project management services  
Engineering and maintenance services

### OUR STRENGTHS

Proficient personnel  
Efficient utilisation of information technology  
Expertise in the various industrial sectors  
30 years of experience  
Extensive network of co-operation partners

## OUR CUSTOMERS

Metal, engineering and electrical industry

Pulp and paper industry

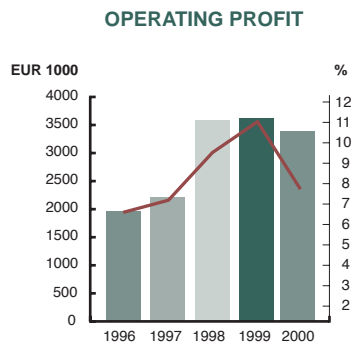
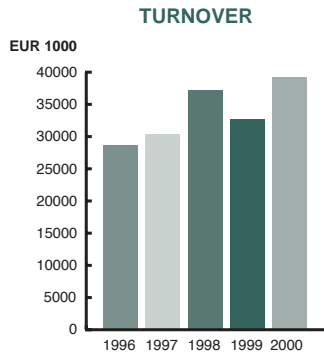
Energy industry

Chemical industry

Electronics industry

Offshore and ship building industry

# YEAR 2000 IN A NUTSHELL



## New ownership

- PI-Management Oy, owned by PI's executive management and two capital investment funds managed by CapMan Capital Management Oy, purchased all shares of PI-Consulting Oyj, and the company withdrew from the Helsinki stock exchange.

## Growth through alliances and acquisitions

- PI acquired all the shares of Konsul Engineering Oy.
- Joint venture PICS Automation Oy established with Siemens Osakeyhtiö.
- Partnership agreement with Empower Oy, which is part of the PVO Group, covering engineering and consulting services for power plants.

## Ahead in the international arena

- PI became a major shareholder in PIC Engineering AB, a Swedish company.
- Own office in Manchester, UK.
- Co-operation agreement with Millwide Engineering Services Ltd, the foremost consulting firm serving the paper and board industry in Britain.
- PI-Rauma Oy strengthened its international partnership network, especially in Russia.
- The first joint project with Austrian partner TB Piesslinger.

## Consolidated expertise

- In line with the acquisition of Konsul Engineering Oy, additional resources and expertise were obtained in 3D-CAD mechanics engineering and in consulting and virtual modelling services.
- Expert resources were strengthened in all customer segments.

## Further IT utilisation

- Tailored Extranet solutions introduced in customer co-operation and project work.
- An Internet-based system launched in the management, publication and distribution of project documentation.



# PRESIDENT'S REVIEW

The year 2000 was a year of growth and change for the entire PI-Group. Our turnover grew in all main businesses and was 20 per cent higher than in 1999. This growth was the result of a favourable market trend and successful sales. Profitability was satisfactory even though it remained at the same level as in the previous year. Financial performance was burdened by the uneven workload during the early part of 2000, by the development costs of new businesses and by exceeded costs relating to project operations.

PI's Engineering and Manufacturing division as well as Marine Technology improved their financial performance while Forest and Chemical Industry, Energy and Electronics were behind their respective goals.

In the early part of last year, extensive rearrangements were carried out in the ownership and financing of the Group. These arrangements resulted in a consolidated financial structure and in the implementation of a stronger growth strategy. In August 2000, PI-Group purchased Konsul Engineering Oy, an engineering company operating in Finland. In September, PI-Group signed an agreement on the acquisition of an interest in the Swedish company PIC Engineering AB. Joint venture PICS Automation Oy was established with Siemens Osakeyhtiö in Finland in October, obtaining personnel from PI and from the engineering department of Siemens' Industrial Automation division.

PI's international operations focused on enhancing co-operation and on joint sales projects with local European partners in Sweden, Great Britain and Germany. The objective is to establish a local consulting service network which is close to the customers and utilises the expertise possessed by the entire PI-Group network. Operational development focused on advancing and expanding customer co-operation and expertise and on the intensified utilisation of information technology.

Total demand for industrial engineering and consulting services is expected to grow slightly in the main market areas in line with increased industrial investments and production volumes. In Finland, investments in new plants and mills, especially within the pulp and paper industry and in energy generation, are expected to decrease and to mainly concern modernisation projects. Increased production volumes in the metal and electrotechnical



industries together with an increase in their R&D investments will boost the demand for engineering services. Shortage of experts has become a bottleneck.

Structural changes within industry, outsourcing of operations and new information technology solutions create additional opportunities for the development and growth of consulting services. PI-Group's development and growth input will be targeted at the integration of the newly acquired enterprises, internationalisation, deepening of customer co-operation and on the further development of personnel and expertise.

Projekti-insinöörit Oy, the first company belonging to the PI-Group and established in 1971, will reach the age of 30 years in 2001. In all these years, our success has been founded on proficient and motivated personnel. I wish to thank all our employees for their vital work input and our customers and partners for their confidence and constructive co-operation.

Lauri Hintikka

# PERSONNEL



## Number and age structure of personnel

At the end of 2000, the PI-Group had 661 permanent employees. The number of temporary and part-time employees grew somewhat, mainly as a result of increased student recruitment.

There were no significant changes in the personnel structure. The average age of permanent employees was 42 years and their average service period 8.5 years. These figures have come down from the previous year primarily as a result of the acquisition of Konsul Engineering Oy, establishment of PICS Automation Oy and recruitment of young people. One quarter (25 %) of the personnel is over 50 years of age and 15 % under 30 years of age.

## Personnel development

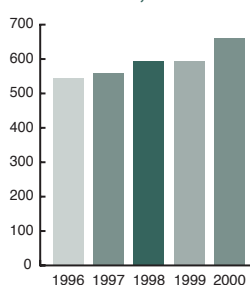
Personnel development and training integrate both the individual and organisational need for constant learning. Learning primarily takes place on the job and in various projects and assignments. PI supports the development of its employees' skills and know-

ledge by offering numerous learning opportunities in information technology, foreign languages, professional expertise and interaction skills. The company also supports and encourages its employees in their own further education plans.

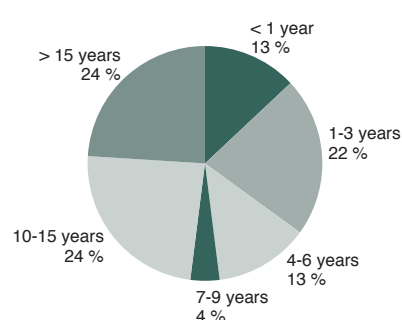
The team work programme launched within Projekti-insinöörit Oy in the spring of 2000 aims to shift the development responsibility closer to the people who actually do the work. The teams had a good start in the definition of their key duties and development needs. The implementation of the programme was included in the incentive bonus system for the year 2000.

A training guide was completed for the use of the personnel in the autumn, providing information on the learning opportunities and procedures offered by PI. The guide also gives stimuli for development and career planning. The personnel development measures start off from personal appraisal interviews where the key targets and personal learning plans

PERSONNEL, AVERAGE



DISTRIBUTION OF SERVICE PERIOD



are agreed upon, supporting the constant development of personnel. The objective is that the appraisal interview is conducted at least once a year with all employees. In this way, it can be ensured that information is conveyed in each direction within the organisation. In 2000, the appraisal interviews were carried out with a coverage of 85 %.

To support individual performance, PI's Internet pages, personnel newsletters as well as information sessions and team meetings of the various business areas offer plenty of information on the company's operations.

**Personnel welfare**

Regular health examinations are arranged for all those above the age of 30 at intervals of 5 years and for those above the age of 50 at 3 years' intervals. For a few years now, these examinations have also included a voluntary measurement of physical performance, covering height/weight index, muscle performance test and oxygen intake. As the number of ageing employees is on the increase, retaining

their working ability and motivation will be a challenge in the future.

During the year 2000, the working facilities were also improved ergonomically by paying attention to individual needs.

Absences on account of illness have remained at about 2 %. In 2000, one employee reached retirement age, and there were no permanent disability pension cases. Semi-retirement schemes increased their popularity further, with 9 persons on semi-retirement at the end of the year.

**Incentive bonus**

Some of the Group companies apply an incentive bonus system covering their entire personnel. Within Projekti-insinöörit Oy, the bonus was given on the basis of both financial and operational results, and the indicators used measured the performance of both teams and competence centres. PI-Rauma Oy's bonuses were based on the result of the entire company.

## EXPERTISE AND DEVELOPMENT

**Training and development**

Investments in expertise and operational development were carried out in accordance with the objective set even though the company had a great workload. 42 % of this input was directed at the maintenance and enhancement of the personnel's level of expertise and 58 % at the implementation of development measures. 20 % of the investments were used on enhancing professional skills and 9 % on information technology expertise.

**Investments and costs**

The majority of the investments were related to the updating and further development of information technology. Most of this, 56 %, was used on the renewal of the IT network and hardware. 35 % of the investments were directed at software development. Enhancing the comfort of the working environment received 9 % of the total input.

Telephone communications were further improved by connecting the Kiilakiventie office in Oulu and PICSI Automation Oy to PI's shared telephone network.

IT and office costs remained at the budgeted level. The biggest cost items were hardware and software maintenance (41 %) and telephone communications (24 %).

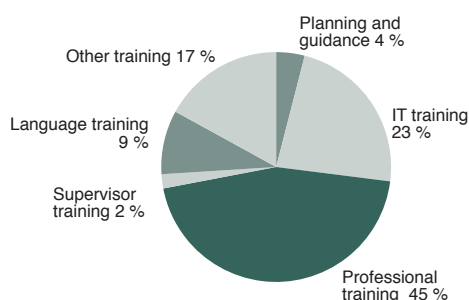
**Customer satisfaction**

In the spring, PI participated in a customer satisfaction survey organised by the Finnish Association of Consulting Firms (SKOL). The feedback received by PI in each sector of the survey was better than in the previous survey carried out in 1997. The average results obtained from PI's own customer feedback survey were also better than in 1999. It can therefore be stated that the efforts have brought results.

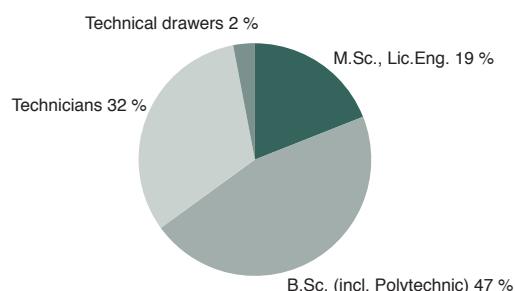
**Outlook for 2001**

During 2001, PI will focus even more on professional training, and the implementation of development measures will be increased from the present level. The planned investments as well as IT and office costs will remain at the same level as in 2000 when proportioned to the number of personnel.

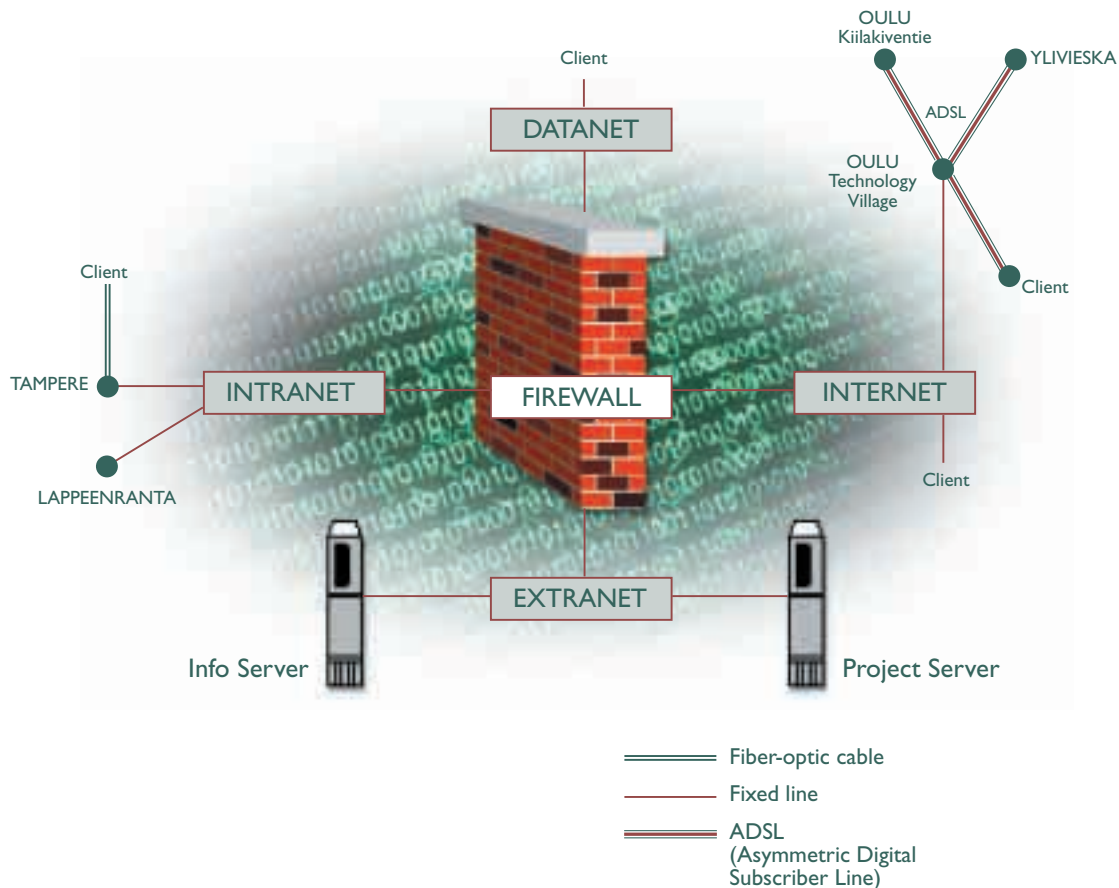
**DISTRIBUTION OF TRAINING COSTS**



**TRAINING DISTRIBUTION, TECHNICAL PERSONNEL**



# INFORMATION TECHNOLOGY



Information technology (IT) strengthened its role within the PI-Group during the year 2000. We have put particular emphasis on 3D design, where we were already strong both in plant engineering for the process industries and in machine and equipment engineering for the metal and electronics industries.

A rapid growth in network communication and customer service within machine and equipment engineering as well as in plant and steel structure engineering has increased the use of 3D modelling within PI. 3D models are increasingly used in design, preparation of virtual models, animation, visualisation as well as in the simulation of manufacture and assembly.

Network communication has increased rapidly in line with developments in Internet technologies. Its efficient utilisation in internal operations and in project and customer operations is one of our foremost objectives within information technology. In data communications, we have been developing internal and external networking by extensively utilising the Internet in partnership operations. In project work, we apply Internet-based systems in project communication and in document and project management.

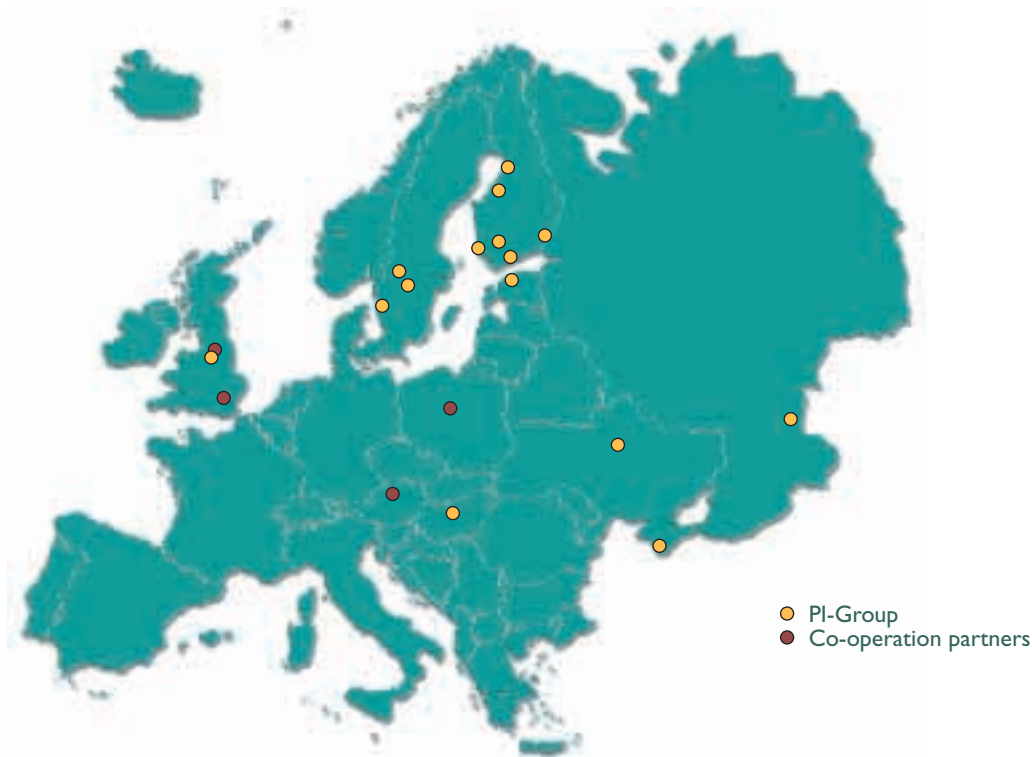
An information service portal has been established within the Extranet to improve the services rendered to our own personnel working on an assignment out of the office and to distribute customer information to the various target groups. The utilisation of Internet technologies also has a focal role in the development of tailored applications and solutions.

In 2001, we will pursue the selected development strategy and concentrate on our vital areas of operations, such as on developing project operations in the Extranet/Internet environment, on developing the data communications network and network management, on improving our data security solutions, on the development of web-based systems e.g. for competence and project management, and on increasing the efficiency of integration between our engineering systems.

Information technology offers new opportunities to develop our operations and key customer service. The consequent process of constant development and learning will require annual input in both technology and skilled people. PI considers this as a comprehensive investment, which in 2001 will account for approximately 6 % of turnover.



# INTERNATIONAL NETWORK



PI is resolutely seeking opportunities for further growth in international operations. The basic strategy here is to establish a network which works close to the customers and comprises both PI's own units and joint ventures founded with partners. International opportunities are also sought as a partner of Finnish customers with an increasing volume of international operations. The main market areas are the Nordic countries, Great Britain and the German-speaking parts of Western Europe.

Credibility and attaining the customer's trust are the decisive issues in the sales of consulting, project management and engineering services. The best way to launch operations in a new environment is to find a suitable local partner with the right expertise, an established position and customer relations.

In order to serve the Swedish and Norwegian markets even better, we acquired an interest in PIC Engineering AB, which employs 120 engineering experts in Karlstad, Gothenburg and Karlskoga in Sweden. The company provides all engineering and project management services required in investment projects in the forest, energy and chemical industries. Moreover, the company offers mechanical engineering services to equipment suppliers.

PI has been highly successful in Great Britain. As an example, we were the main engineering consultant in the modernisation project (GBP 50 million) for Iggesund Paperboard (Workington) Ltd's folding boxboard mill. Our partner in this project was

Babtie Allott & Lomax with particular strengths in construction engineering and energy generation facilities.

In order to strengthen the services rendered to the paper and board sectors, PI signed an agreement in 2000 with Millwide Engineering Services Ltd, the leading paper and board mill engineering consultant in the UK.

In the German-speaking parts of Europe, we are consolidating co-operation with TB Piesslinger GmbH and bhm – INGENIEURE Engineering & Consulting GmbH. TB Piesslinger, the leading provider of plant engineering services in this area, is specialised in paper and board machines as well as recycled fibre. BHM in turn is the foremost engineering consultant in the area in the field of construction engineering for paper mills. Each company employs some 100 persons.

PI-Rauma also expanded its international partnership network in the offshore industry.

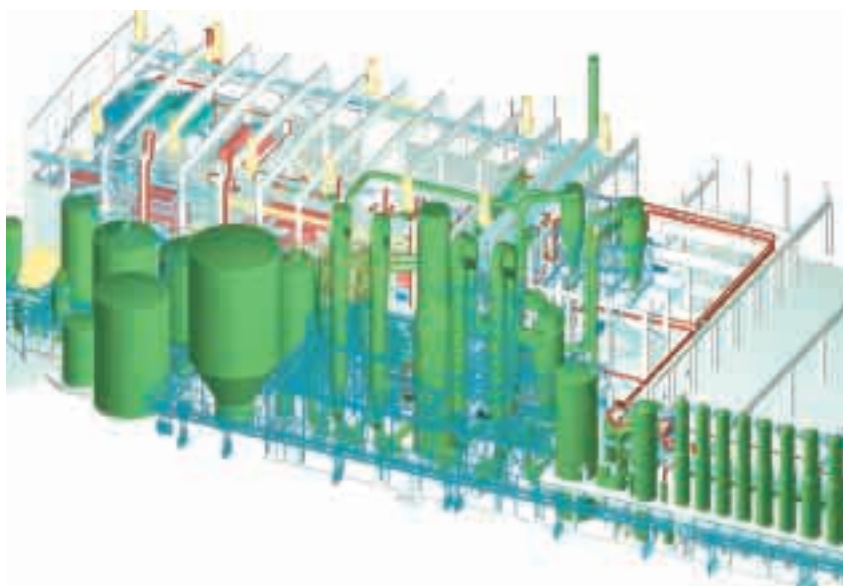
In addition to local presence, networking gives the partners additional volume and expertise. With the entire network described above, PI has access to the resources and capability of more than 1,000 engineers over a wide market area.

PI's international network also encompasses other partners and agents in Europe and elsewhere, such as PI-Tecnoingenieria Ltda in Chile.

# FOREST AND CHEMICAL INDUSTRY

*PI's Forest and Chemical Industry division develops and supplies engineering, consulting and project management services required in investments and production process development within the pulp and paper as well as chemical industries. The main customers comprise enterprises engaged in the pulp and paper and chemical industries as well as related equipment suppliers.*

	2000	1999	change
Turnover, EUR 1000	12,148	9,215	+ 31.8%
Personnel 31 Dec	156	134	+ 16.4%
Proportion of the turnover of the Group	31%	28%	



*Plant engineering for Metsä-Serla Oyj's Kajo project at Joutseno is carried out in the form of a 3D model. The use of 3D systems in the engineering of investment projects improves the profitability of investments, shortens the project throughput time and saves in installation costs.*

The volume of industrial investments in the year 2000 was high, especially in Finland, which contributed to the growth of turnover in this division. Profitability improved also thanks to the good workload which prevailed during the latter part of the year. However, financial performance was burdened by the cost overruns of a few major projects and the general low price level of engineering services.

During the year 2000, PI obtained a considerable order for project management and engineering services pertaining to Metsä-Serla's Joutseno CTMP project. Other important orders included the partial modernisation of Stora Enso's Imatra Mills and the modernisation of the TMP and PGW plants at UPM-Kymmene's Kajaani Mill. In the chemical industry, the biggest customer continues to be Neste Engineering Oy, which is part of the Fortum Group. PI also booked engineering orders from Kemira Oy concerning investments carried out in Sweden.

The foremost export projects included the pre-engineering of a mechanical pulp mill to be built in Germany, co-engineered with PI's Austrian partner TB Piesslinger. Several detail engineering assignments were carried out for companies supplying the pulp and paper industry with equipment, with customers such as Andritz-Ahlstrom, Metso Paper (Valmet) and Kvaerner Pulping AB.

During the year 2000, for instance the following projects engineered by PI were started successfully: the hardwood cooking plant at UPM-Kymmene Oy's Kuusankoski Mill and the TMP and bleaching plants at Iggesund Paperboard (Workington) Ltd's mill in Great Britain.

Development efforts focused on increasing the expert resources and on the wider utilisation of information technology – 3D systems in particular – and project and document management systems.

New investments by the pulp and paper industry are expected to decrease in Finland while some growth potential continues to exist in export projects and other international projects. Investments by the chemical industry are anticipated to remain at the same level as in 2000.

Good references, enhanced expertise, an increasingly international network of co-operation partners and more comprehensive availability of information technology will provide a sound basis for further growth and for advanced co-operation with both current and new customers.

# ENERGY

*PI's Energy division offers engineering and consulting services required in power plant investments and energy conservation projects primarily carried out in energy-intensive industries. The objective is to use networking to achieve efficient engineering expertise which utilises leading-edge information technology. The main customer segments are industrial power plants, power plant suppliers and utility companies.*

	2000	1999	change
Turnover, EUR 1000	4,307	3,615	+ 19.1%
Personnel 31 Dec	60	60	0%
Proportion of the turnover of the Group	11%	11%	



In the year 2000, there were more new investments by the energy industry in Finland than in 1999, but the related engineering processes did not start until the latter part of the year. This is why the operative and financial objectives did not fully materialise. On the other hand, the high order backlog at the end of the year gives a good start for the year 2001.

During 2000, many plant suppliers ordered from PI several significant engineering projects for recovery boilers and power boilers, with end customers including Visy Pulp & Paper Pty. Ltd in Australia, Bowater Pulp and Paper in Thunder Bay, Canada, and Burgo Ardennes, a subsidiary of the Italian Cartiere Burgo, in Belgium. One of the foremost new orders was the detail engineering for Kymin Voima Oy's (UPM-Kymmene) power plant project in Kuusankoski, Finland, together with Empower Oy. Energy analyses were carried out for the Finnish pulp and paper industry, and concept studies concerning CHP plants were drawn up for the British paper and board industry.

PI's position as the co-operation partner of international financial institutions strengthened. The European Bank of Reconstruction and Development ordered a consulting assignment for a gas line compressor station in the Ukraine. The engineering

*Visy Pulp & Paper Pty. Ltd. is building a new pulp and paper mill (250.000 tpy) at Tumut in NSW, Australia. The main equipment supplier is Kvaerner Pulping Oy, which ordered engineering for the recovery and power boilers from PI. PI also worked as the engineering co-ordinator between Kvaerner Pulping Oy and Visy Pulp & Paper.*

of CHP plants situated in the Ukraine, commissioned by TACIS, moved over to the second phase, detail engineering.

In the year 2000, PI's Energy division continued its input in both 3D-PDMS and PDS engineering systems. Development efforts were directed at the efficient utilisation of information technology, especially to back up the expanding international operations.

It is anticipated that new investments within the energy industry in Finland will decrease in 2001. On the other hand, several power plant projects in the pulp and paper industry are being planned in Sweden, Great Britain and Germany. The high level of order intake by Finnish power plant suppliers together with new areas of expertise are apt to contribute to an increased demand for engineering services in Western Europe.

# ENGINEERING AND MANUFACTURING

*PI's Engineering and Manufacturing division creates added value as the strategic partner of enterprises operating in the engineering and manufacturing industries by assuming responsibility for their outsourced operations and by simultaneously offering its own personnel interesting and challenging assignments.*

	2000	1999	change
Turnover, EUR 1000	8,699	10,780	- 19.3%
Personnel 31 Dec	126	159	- 20.8%
Proportion of the turnover of the Group	22%	33%	

The unique expertise possessed by this division in product development within these industries comes about by integrating proficient personnel, solid practical experience in engineering and the opportunities provided by information technology. Project expertise, in turn, is based on long-term experience in investment projects, either involving tailoring of products or management of projects encompassing entire plants.

The operation of the Engineering and Manufacturing division is based on partnership with the key customers. For this purpose, three operating concepts have been commercialised: resourcing, operational responsibility (outsourcing) and business responsibility (consourcing).

The clients of this division include leading companies operating in the engineering and electrotechnical industries such as ABB, Kone, Nokia, Nextrom and Metso; we supply these with services relating to their product processes. Project-related assignments consist of the operational development of manufacturing and metal plants with customers such as NK-Cables, Outokumpu, Rautaruukki, Sinebrychoff, Saint-Gobain Iover and AGA, and of plant investments also involving construction duties. These types of assignments include e.g. the transfer of Hackman Designor Oy's China clay department and extension projects within the area of Metso Oyj in Järvenpää. The medical industry is a new emerging customer sector which is outsourcing an increasing proportion of its R&D services.

The Engineering and Manufacturing division achieved both its financial and development targets set for 2000. When comparing the financial key



*Most of the engineering of product projects currently takes place through 3D systems.*

figures with the corresponding figures from previous years, the separation of the electronics and consulting businesses in 1999 has to be taken into account. Konsul Engineering Oy acquired in August 2000 considerably increases the volume of mechanics engineering services and 3D expertise. As a result of this acquisition, PI now also has an office in Lahti, Finland, which is being developed and expanded extensively.

In 2001, the Engineering and Manufacturing division will continue its focus on partnership with the key customers by boosting the expertise of its organisation and by developing commercialised operational procedures. New expertise will also be created in the network business, and value-added services for 3D models will be created. Further opportunities to expand international operations will be examined together with the customers.

The demand trend in the engineering and manufacturing industry will remain good in 2001 even though there will not be significant volume changes in Finland because of the high operating rate. There are several plant investments in sight. These, together with PI's increasing internationalisation, will create a superior potential for further growth.

# ELECTRONICS

*PI Electronics, which started as an independent business unit at the beginning of 2000, concentrated on equipment design for telecommunications and industrial electronics. Our customers are among the leading Finnish exporting companies, with names such as units of Nokia included in its telecommunications group and Kone Elevators Oy.*

	2000
Turnover, EUR 1000	1,580
Personnel 31 Dec	27
Proportion of the turnover of the Group	4%

Mainly thanks to Nokia, the market has developed favourably, and the positive trend is expected to continue. Additional volume for total project expertise has emerged in the electronics market in recent years. Major exporting companies wish to concentrate more and more on their own innovations and on developing their new technologies.

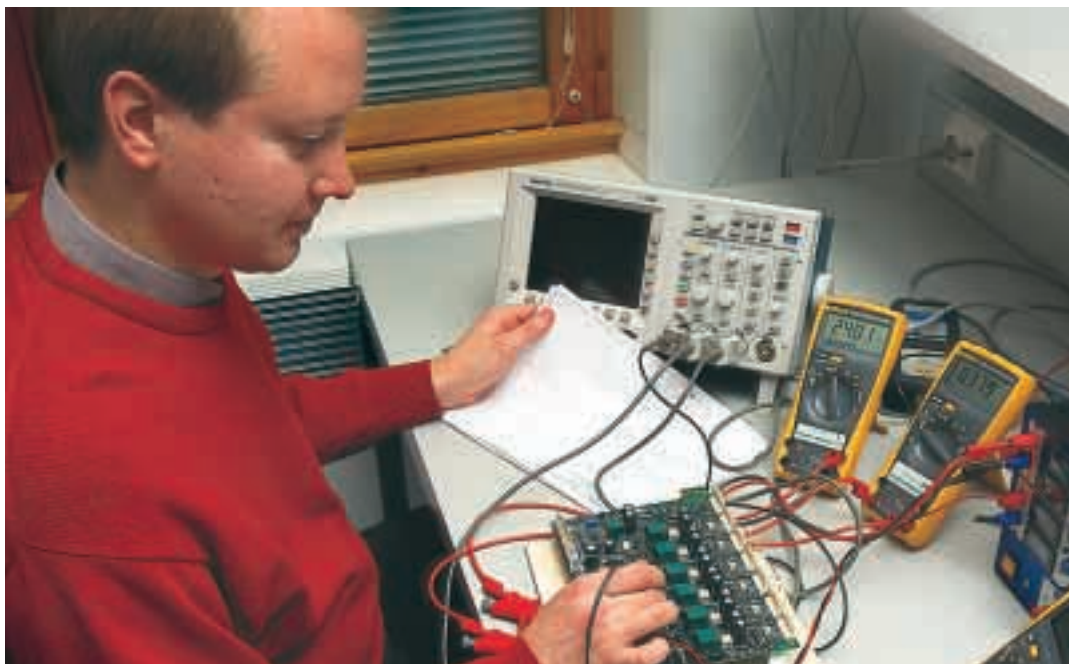
Despite the good market situation, the growth objectives defined were not achieved during the period under review. The main factor decelerating growth was the shortage of experienced engineers, experts and project managers.

The foremost development measures in 2000 were the further enhancement of the operating environment of electronics design and the creation of facilities for growth. We have been determined to develop our services also within the engineering of electromechanics and related engineering disciplines. One of our foremost focal areas is to boost project management skills and services.

In 2001, the Electronics business unit aims to achieve further improvements in engineering expertise and project management as well as to deepen partnership operations. Development work pursued with sheet metal manufacturers in 2000 will continue. Areas of expertise which have a fundamental significance to electromechanics and which are constantly being developed comprise FEM (Finite Element Method) analysis, thermal simulation, and injection moulding and plastic mould techniques.

One of the focal areas in electronics engineering is digital design, with PI's Oulu office being responsible for its further development. The Vantaa office focuses on industrial electronics and the Ylivieska office on mechanics engineering and testing services.

The objective of the Electronics business unit is to significantly increase the number of its personnel and to further enhance expertise. In this way, it will be better equipped to assume responsibility for increasingly larger assignments pertaining to research and development and product upgrading.



# MARINE TECHNOLOGY, PI-RAUMA LTD



*The hull of a new truss-spar type oil production platform. PI-Rauma has carried out the basic engineering, structural analysis, Trans-Atlantic sea transportation analyses and fabrication engineering for two truss-spar platforms, and the engineering of a third similar platform has commenced.*

	2000	1999	change
Turnover, EUR 1000	10,390	8,726	+ 19.1%
Personnel 31 Dec	195	172	+ 13.4%
Proportion of the turnover of the Group	27%	27%	

During the review period, PI-Rauma Oy's main customer segments, the offshore and shipbuilding industries, experienced buoyant demand, and a record number of orders were received based on established customer relationships with Aker Rauma Offshore (ARO) and Aker Finnyards (AFY). The turnover of PI-Rauma grew by almost 20 per cent, and as the rise in costs was moderate, a satisfactory financial result was reached.

The main assignments last year were the engineering of the hull of two oil production platforms representing the new truss-spar type, and the engineering of cruise ferries delivered by AFY to Irish Ferries and Seafrance. At the end of the year, orders were received for the engineering and strength analyses of a third truss-spar hull and another cruise ferry.

Despite the challenging project schedules and a rapid increase in workload, assignments for the key

customers were carried out as defined in the strategic plan, using the company's own resources, which grew by approximately 10 per cent, and an established network of subcontractors.

During the year 2000, the foremost development projects comprised the more comprehensive utilisation of 3D engineering, training given to foreign partners and the opening of new offices adjacent to our key customers at the Pripoli Technology Centre in Pori and at the Kaivopuisto Technology Centre in Rauma.

Future prospects in the offshore and shipbuilding industry are very promising. Local industries are also planning more numerous investments than before, meaning that the market will provide PI-Rauma with a healthy market demand basis on which to build its future growth.

# MANAGEMENT AND OPERATIONS CONSULTING

The market is becoming increasingly global, industrial structures keep changing and products have shorter and shorter life cycles. As a result of these changes, the forms of business alter and gain new focus. Competition primarily takes place between entire delivery chains or networks rather than between individual enterprises. Corporate success depends on how well the entire chain plays together and how its operation is controlled comprehensively across the different enterprises. Another important issue is how the profit is distributed between the chain and how to optimise the financial result throughout the chain.

Industrial competitiveness hence depends partially on the ability of companies to control their information flows and their demand and supply chains, and at the same time enterprises need efficient and flexible production. All these factors together have rapidly increased the demand for consulting services, and this trend is getting stronger and stronger.

During the year 2000, various analyses and investigations were carried out for the process and manufacturing industries both at corporate and plant levels. The objectives of these assignments included improved business profitability either by utilising the invested capital more efficiently or by intensifying the operations.

The growth targets set for the year 2000 were not achieved. This was due to a shortage of experienced consultants and to the amendment of the marketing strategy during the year. In 2000, the development of this business unit focused on streamlining the business by developing the service concepts, products and the expertise of the personnel in a customer-focused manner.

The target for 2001 is to expand the entire consulting business by concentrating on the commercialisation of services and on the strengthening of expert resources.

PI's consulting business is composed of three sectors:

#### BUSINESS CONSULTING

- Business architecture analysis
- Operational analysis
- Delivery chain architecture analysis

#### PLANT DEVELOPMENT

- Investigation of bottlenecks in the production chain
- Performance and efficiency analysis
- Logistics development
- Maintenance development

#### INVESTMENT ANALYSES

- Feasibility analysis
- Preliminary engineering

## PICSI AUTOMATION OY



PICSI Automation Oy is a joint venture established by PI-Consulting Oyj (ownership 70 per cent) and Siemens Osakeyhtiö (30 per cent). The company launched operations on 1 October 2000, and it provides electrical, instrumentation and automation engineering services as well as installation supervision, start-up and project management services needed in industrial investment, development and maintenance projects. The company employs 43 persons in Vantaa and Ulvila.

PICSI Automation Oy is responsible for automation engineering taking place within the Siemens environment as PI-Group's Siemens competence centre. For Siemens' project operations, PICSI Automation

Oy is a strategic partner which assumes comprehensive responsibility for engineering services required by Siemens' projects by also using PI's other resources whenever necessary. In addition to these key customers, the company is also seeking its own direct end customers and building a broad subsupplier network.

In 2001, the market situation and prospects are good, and the company has a target-oriented programme to increase the number of its personnel and expertise to correspond to the future needs.

# PIC ESTONIA LTD

PIC Estonia Ltd's main businesses are the design of potable water purification and waste water treatment plants, building design (architectural, structural, HVAC and electrical engineering), environmental protection, feasibility studies and installation supervision.

The year 2000 was the most successful year for Estonian business life in a decade. The consulting and engineering market began to grow during the second half of the year, especially in infrastructure projects. Projects in Russia interrupted in 1998 and 1999 were also re-started.

PIC Estonia Ltd's turnover grew by 50 per cent, and the company consolidated its position as the market leader in Estonia in water and environmental projects. Exports accounted for more than half of the turnover. The company employed 30 people at the end of the year.

Most of the projects, some 50 per cent, were related to water and waste water treatment. Construction projects accounted for approximately 25 per cent and environmental and waste management analyses for some 25 per cent of all projects.

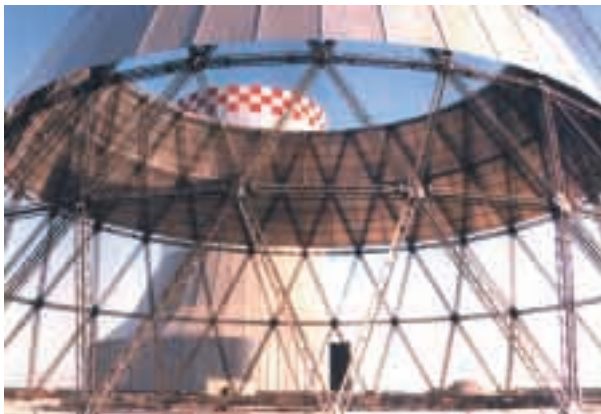
The biggest customers were Estonian building firms, with whom co-operation has been developed in

both Estonia and Russia. Most of the feasibility studies for investments were included in the EU's ISPA programme, and they were carried out in co-operation with Danish consulting companies. Together with the Estonian company MiTe Engineering AS and the Swedish EnPlant Engineering AB, PIC Estonia Ltd entered a new market area by designing steel structures for a boiler plant in the USA and for an incinerator in Taiwan.

Among the large-scale projects were the water purification plants for potable water in Kogalym in Russia and in Paide and Rakvere in Estonia as well as structural engineering for an indoor swimming pool and water park in Magnitogorsk in Russia. PIC Estonia Ltd was also involved in the engineering of the first modern landfill in Estonia, opened in the autumn of 2000. This project was carried out in accordance with the EU's directives and regulations, and it will be used as a reference project for other similar regional landfills in Estonia.

Information technology was PIC Estonia Ltd's primary development and investment area. In 2001 to 2002, the company aims to establish its own e-strategy in order to intensify and expand the use of information technology.

# PI-HUN ENGINEERING LTD CO.



The main operations of PI-Hun Engineering Ltd Co. are the engineering of industrial and public facilities and project management services. The company possesses special expertise in the engineering of cooling water towers made of steel. At the end of the year, the company employed 10 people.

EGI Contracting Engineering Co. Ltd, the other owner of PI-Hun, was its biggest customer in the year 2000. Other customers included Iparterv, Howard Humphrey's/Brown & Root, Uponor, Tredegar, Pepsi-Cola and Váralja Lakásszövetkezet.

The main assignments included earth and water construction engineering for the desulphurisation project of the Hungarian Mátra power plant, which is in German ownership, and detailed engineering relating to the strengthening of the structures of the Hungarian Paksi power plant.

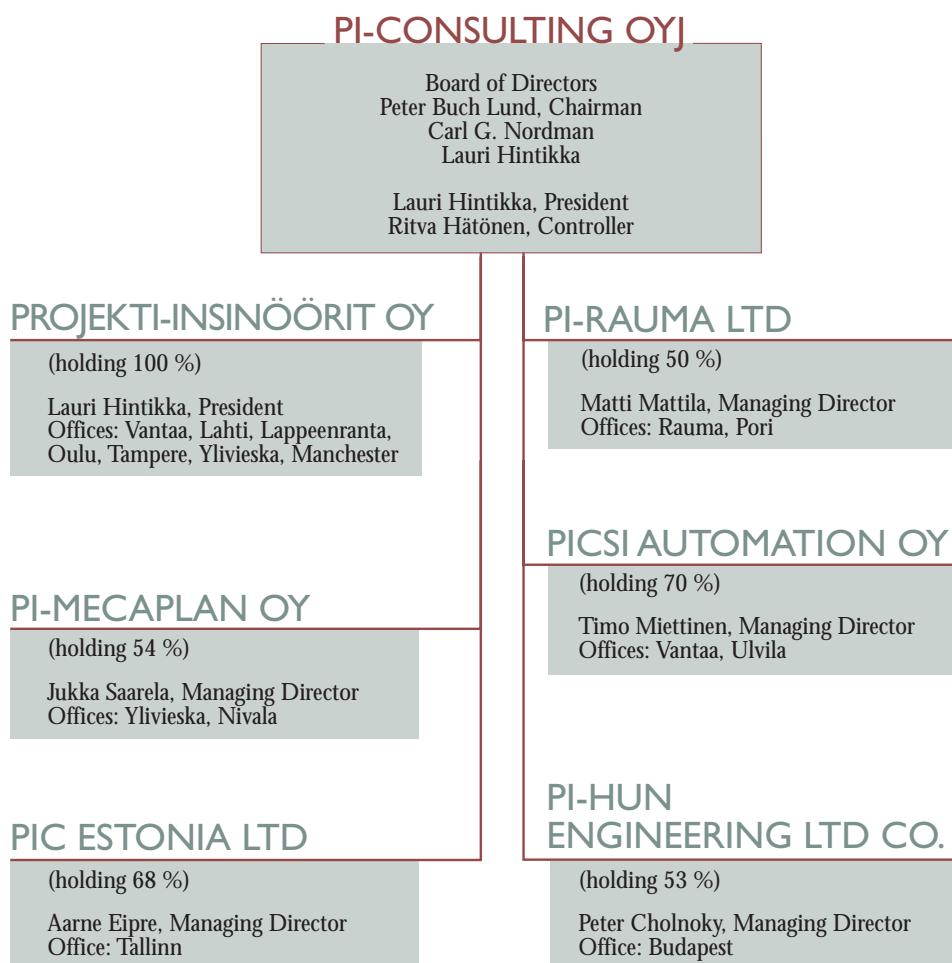
Hungary endeavours to become a member of the European Union at the beginning of 2004, which will require that its economy develops to the level accepted by the EU. The need for high-quality engineering services will grow in line with an increase in investments. In keeping with this, PI-Hun has good opportunities to evolve and improve its status in earth and water construction engineering.



# GROUP STRUCTURE

## 1<sup>st</sup> March 2001

PI-Group is a group of companies with PI-Consulting Oyj as the parent company. The subsidiaries and associated companies are engaged in the actual operations.



#### ASSOCIATED COMPANIES

Kupari Engineering Oy, Vantaa (11 %)  
IS-Plan Oy, Vantaa (25 %)  
PIC Engineering AB, Sweden (35 %)

#### CO-OPERATION COMPANIES

Babtie Allott & Lomax, Great Britain  
Millwide Engineering Services Limited, Great Britain  
TB Piesslinger, Austria  
Interproject Spolka z o.o, Poland  
PI-Tecnoingenieria Ltda, Chile

# REPORT BY THE BOARD OF DIRECTORS

FOR FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2000

## GENERAL

PI-Group is a consulting and engineering company specialised in industrial services. The company provides consulting, engineering, maintenance and project management services required by its customers in operational and technological development, investment projects and production.

PI-Consulting Oyj is the parent company of the PI-Group. Projekti-insinöörit Oy is the Group's fully-owned subsidiary. Moreover, the Group includes PICS Automation Oy (holding 70 per cent) established in 2000 and having operations in Vantaa and Ulvila in Finland, PI-Rauma Oy (50 per cent) operating in Rauma and Pori in Finland, PIC Estonia Ltd (68 per cent) in Tallinn, Estonia, PI-Hun Engineering Ltd Co. (53 per cent) in Budapest, Hungary, as well as Kiinteistö Oy Sammonpiha (75 per cent) in Lappeenranta, Finland. The Group also covers Konsul Engineering Oy (100 per cent) acquired by Projekti-insinöörit Oy in the autumn of 2000, having operations in Vantaa and Lahti in Finland.

At the end of the year 2000, other companies in which PI-Group had holdings were PIC Engineering AB (35 per cent) operating in Karlstad and Gothenburg in Sweden, IS-Plan Oy (24 per cent) in Vantaa as well as Kupari Engineering Oy (11 per cent) in Vantaa.

## TURNOVER

The Group's turnover during the financial year was EUR 39.3 million (1999: EUR 32.7 million), which was 20.2 per cent more than during the previous financial year. The growth in turnover was in particular the result of the favourable market trend and successful sales in all sectors. Exports accounted for 42 per cent (43 per cent) of turnover.

## FINANCIAL RESULT

The Group's profit before provisions, taxes and minority interests was EUR 2.7 million (EUR 2.8 million including EUR 1.2 million of capital gain from the sales of assets). The operating profit was EUR 3.1 million, i.e. 7.8 per cent of turnover (EUR 3.6 million and 11.1 per cent respectively). Profit before extraordinary items improved by 22.6 per cent. Profitability continued to be good in the

Engineering and Manufacturing division and Marine division. Whereas all profitability objectives set for the Forest and Chemical Industry division and Energy division were not achieved.

The consolidated balance sheet total stood at EUR 22.1 million (EUR 15.4 million). The consolidated shareholders' equity was EUR 5.2 million (EUR 3.2 million). The Group's equity ratio was 31.1 per cent (36.2 per cent). A capital loan of EUR 3.4 million has been taken into account in this. The equity ratio of the parent company was 50.5 per cent (52.2 per cent), including a capital loan of EUR 0.3 million.

## FINANCING

The Group's financial situation was good throughout the financial year even though the amount of interest-bearing liabilities increased rapidly. At the end of the financial year, net interest-bearing liabilities amounted to EUR 8.4 million (EUR 2.3 million), representing 21.3 per cent of turnover (7.1 per cent). Net financial expenses accounted for 1.1 per cent of turnover (2.4 per cent).

## INVESTMENTS

The Group's investments in fixed assets totalled EUR 1.1 million (EUR 0.7 million), i.e. 2.8 per cent of turnover (2.0 per cent). Investments continued to primarily comprise purchases of computer hardware and software as well as building of internal and external data communications networks.

## OWNERSHIP

The share capital is EUR 1.92 million divided into shares with a nominal value of EUR 1 each, totalling 1,920,000 shares.

As a result of ownership rearrangements carried out in 2000, PI-Management Oy owns 100 per cent of the company's shares.

Subsidiary Projekti-insinöörit Oy sold the shares of the parent company it owned (11,110 shares) to PI-Management Oy at EUR 7 per share.

After PI-Management Oy redeemed all the shares of PI-Consulting Oyj, trading in the shares of the company on list I of the Helsinki stock exchange finished on 15 December 2000.

## BOARD OF DIRECTORS

A new Board of Directors was elected in the Extraordinary Shareholders' Meeting on 1 February 2000, consisting of Peter Buch Lund, Carl G. Nordman and Lauri Hintikka.

Lauri Hintikka is the President of PI-Consulting Oyj.

## OUTLOOK FOR THE NEAR FUTURE

Order backlog at the end of the year 2000 totalled EUR 21.8 million (1999: EUR 10.7 million), which was considerably higher than at the end of the previous year. Good order intake is expected to further raise turnover in the early part of 2001 especially within the Marine, Engineering and Manufacturing as well as Electronics sectors. Plant investments within the Finnish pulp and paper industry and energy industry are not expected to grow, but the company aims to balance this by means of its domestic and overseas co-operation partners and networks. During the first months of 2001 the financial performance of the Group is anticipated to remain at the same level as in 2000.

## EVENTS AFTER THE REVIEW PERIOD

PI-Consulting Oyj has established a joint venture, PI-Mecaplan Oy, with Mecanova Oy. The new company focuses on electromechanics engineering and on the related project management. The company has operations in Ylivieska and Nivala in Finland as of 1 March 2001.

PI-Consulting Oyj signed an agreement with Empower Oy, part of the PVO Group, to develop closer co-operation between the two companies. This co-operation will cover project and feasibility studies as well as engineering, consulting, project management, start-up and maintenance services for power plant investments.

On 27 February 2001, Projekti-insinöörit Oy and Nokia Networks Oy signed an agreement concerning co-operation in electromechanics engineering. According to the agreement, Nokia Networks Oy's detailed mechanics engineering and the related operations will be transferred to Projekti-insinöörit Oy. As a result of this co-operation, PI will have some 40 employees from Nokia Networks Oy. These arrangements will become effective as of 1 April 2001.

## PROPOSAL BY THE BOARD OF DIRECTORS CONCERNING THE USE OF PROFIT

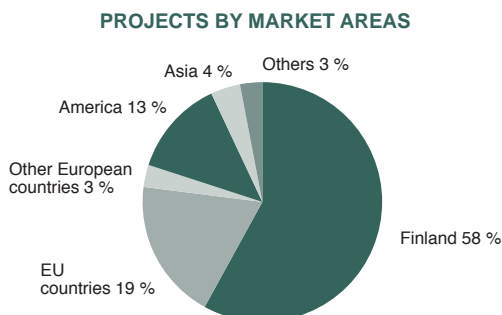
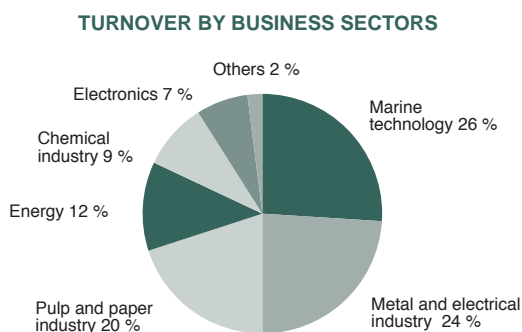
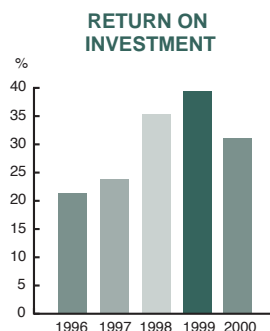
Since the distributable shareholders' equity does not allow profit distribution for the financial year, the Board of Directors proposes that no dividend be paid for the operations of the year 2000 and that the net profit of the parent company be included in retained earnings.

Vantaa, 5th of March 2001

Peter Buch Lund  
Chairman of the Board

Carl G. Nordman

Lauri Hintikka  
President



# PROFIT AND LOSS ACCOUNT

1 Jan to 31 Dec 2000 and 1 Jan to 31 Dec 1999 (EUR 1,000)

	2000	1999
Turnover	39,286.1	32,733.1
Other operating income	163.2	1,245.4
Materials and services	- 4,585.9	- 2,661.0
Share of the financial results of associated companies	- 68.1	
Personnel expenses	- 24,911.0	- 21,926.4
Depreciation and write-downs	- 1,056.8	- 1,086.1
Other operating expenses	- 5,745.4	- 4,683.0
Operating profit	3,082.1	3,622.0
Financial income and expenses	- 413.2	- 798.2
Profit before extraordinary items	2,668.9	2,823.8
Extraordinary items	-	6.0
Profit before taxes	2,668.9	2,829.8
Direct taxes	- 440.8	- 286.9
Minority interest	- 496.8	- 346.0
Net profit for the financial year	<u>1,731.3</u>	<u>2,196.9</u>



# BALANCE SHEET

31 Dec 2000 and 31 Dec 1999 (EUR 1,000)

	2000	1999
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	1,025.8	801.3
Consolidated goodwill	1,052.7	-
Tangible assets	3,870.6	3,695.3
Long-term investments	1,746.3	935.2
Own shares	-	0.3
	<u>7,695.4</u>	<u>5,432.1</u>
<b>Current assets</b>		
Short-term receivables	10,450.0	7,065.9
Cash and bank receivables	3,913.6	2,932.7
	<u>14,363.6</u>	<u>9,998.6</u>
	<u>22,059.0</u>	<u>15,430.7</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity</b>		
Share capital	1,920.0	1,920.0
Issue premium fund	190.8	137.0
Contingency fund	1,072.1	1,072.1
	<u>3,182.9</u>	<u>3,129.1</u>
Retained earnings	- 3,157.8	- 5,354.4
Net profit for the financial year	1,731.3	2,196.9
	<u>- 1,426.5</u>	<u>- 3,157.5</u>
Capital loan	3,429.0	3,203.3
Shareholders' equity, total	5,185.4	3,174.9
Convertible bond (Equity-rated)	-	953.3
Minority interest	1,676.5	1,453.1
<b>Liabilities</b>		
Deferred tax liability	39.0	38.3
Long-term liabilities	3,606.6	782.4
Short-term liabilities	11,551.5	9,028.7
	<u>15,197.1</u>	<u>9,849.4</u>
	<u>22,059.0</u>	<u>15,430.7</u>

# STATEMENT OF CHANGES IN FINANCIAL POSITION

31 Dec 2000 and 31 Dec 1999 (EUR 1,000)

	2000	1999
<b>SOURCES OF FUNDS</b>		
Funds from operations		
Operating profit	3,082.1	3,622.0
Depreciation according to plan	1,056.8	1,086.1
Financial income and expenses	- 413.2	- 798.2
Contingencies	-	6.0
Taxes	- 440.8	- 286.9
	<u>3,284.9</u>	<u>3,629.0</u>
Sales of own shares	53.5	-
Sales of fixed assets	45.3	881.8
Increase in long-term debt	5,103.1	1,093.1
	<u>8,486.8</u>	<u>5,603.9</u>
<b>USE OF FUNDS</b>		
Investments	3,365.7	681.4
Decrease in long-term debt	2,742.6	4,365.6
Dividend distribution	302.7	462.5
	<u>6,411.0</u>	<u>5,509.5</u>
Change in net working capital	2,075.8	94.4
	<u>8,486.8</u>	<u>5,603.9</u>
<b>CHANGE IN NET WORKING CAPITAL</b>		
Cash and bank receivables	980.9	- 916.9
Short-term liquid assets	3,384.1	- 701.5
Short-term liabilities	- 2,289.2	1,712.8
	<u>2,075.8</u>	<u>94.4</u>

# KEY FIGURES

	1996	1997	1998	1999	2000
Turnover, 1000 e	28,786	30,468	37,283	32,733	39,286
Operating profit/loss, 1000 e	1,937	2,217	3,583	3,622	3,082
Operating profit/loss, %	6.7	7.3	9.6	11.1	7.8
Profit/loss before extraordinary items, reserves and taxes, 1000 e	1,242	1,640	3,173	2,824	2,669
Profit/loss before extraordinary items, reserves and taxes, %	4.3	5.4	8.5	8.6	6.8
Return on investment, %	21.4	23.8	35.4	39.4	31.2
Return on equity, %	not comp.	128.1	85.9	50.2	35.5
Equity ratio, %	3.1	11.2	23.1	36.2	31.1
Current ratio	0.86	0.95	1.1	1.1	1.2
Investments in fixed assets, million e	0.8	0.7	0.9	0.7	1.1
Investments in fixed assets, %	2.7	2.4	2.5	2.0	2.8
Order backlog, million e	10.6	13.2	10.1	10.7	21.8
Personnel, average	546	561	594	594	633

## CALCULATION OF KEY FIGURES

### RETURN OF INVESTMENTS, %

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

### EQUITY RATIO, %

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

### NET INTEREST-BEARING LIABILITIES, % OF TURNOVER

$$\frac{\text{Interest-bearing liabilities}}{\text{Turnover}} \times 100$$

### NET FINANCIAL EXPENSES, % OF TURNOVER

$$\frac{\text{Financial expenses} - \text{financial incomes}}{\text{Turnover}} \times 100$$

### CURRENT RATIO

$$\frac{\text{Short-term receivables}}{\text{Short-term liabilities}}$$

### RETURN ON EQUITY, %

$$\frac{\text{Profit/loss before extraordinary items, reserves and taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{voluntary reserves and depreciation difference (average)}} \times 100$$

A capital loan of EUR 3,429,000 has been taken into account when calculating the shareholders' equity. Extraordinary items have been taken into account in the calculation of profit/loss.



**PI**  
PI-GROUP

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