


PKC Group Oyj

Annual Report


PKC

2001

Delivering Excellence

PKC GROUP

CONTENTS

Information for Shareholders

General meeting of shareholders

PKC Group Oyj's Annual General Meeting will be held on Wednesday 13 March 2002 at 4.00 p.m. at the company's offices in Kempele, at the address Vihikari 10, Kempele.

A shareholder is entitled to attend the meeting if he or she was listed as a shareholder in the company's shareholder register at Finnish Central Securities Depository Ltd no later than on 1 March 2002 and confirm her or his attendance before 4.00 p.m. on Monday 4 March 2002.

Notice of the Annual General Meeting was given in the newspapers Helsingin Sanomat and Kaleva on 23 March 2002 and as Stock Exchange Announcement on 22 March 2002.

Dividend proposal

The Board of Directors proposes that the distribution of dividends for the fiscal year 2001 be EUR 0.25 per share. The matching date for dividends is Monday 18 March 2002. The payment date for dividends is Monday 25 March 2002.

Financial reports for 2002

PKC Group Oyj will publish its financial reports for 2002 as follows:

Interim report 1-3 / 2002 25 April 2002 at 9.00 a.m.
Interim report 1-6 / 2002 1 August 2002 at 9.00 a.m.
Interim report 1-9 / 2002 24 October 2002 at 9.00 a.m.

The interim reports and stock exchange bulletins will be published in Finnish and English on the company's website at www.pkcgroup.com.
The company's annual reports and interim reports will also be available in pdf format on the company's website.

Change of address

Shareholders are kindly requested to notify the book-entry register where their book-entries are kept of any changes in their contact information.

The Year 2001 In Brief

- Net sales remained nearly unchanged
- Deliveries of wiring harnesses to the vehicle industry increased by about 10 %
- Deliveries to the telecommunications industry decreased
- Profitability weakened
- Cost-cutting measures had a positive effect in the last quarter
- Inventories were reduced
- Cash flow was positive
- The equity ratio improved

KEY FIGURES	2001	2000	1999	1998
Net sales, EUR million	125.1	128.6	113.9	83.6
Operating profit, EUR million	4.1	9.0	11.4	10.7
Profit before extraordinary items, EUR million	2.6	8.0	10.7	10.0
Return of investment % (ROI)	9.0	22.3	34.1	42.5
Equity ratio, %	40.7	37.3	43.3	36.1
Gross capital expenditure, EUR million	3.8	8.1	4.9	12.2
Earnings per share, EUR	0.96	1.39	0.56	1.01
Dividend per share, EUR	0.25*	0.40	0.50	0.54

* Proposal of the Board of Directors

PKC has maintained its internationally strong position as a supplier of wiring harnesses to the commercial vehicle industry. Our market share has grown even during the prevailing recession in the sector.

Review by the President and CEO

A system supplier must provide quality and flexibility

Year 2001 was challenging for PKC Group. Substantial changes occurred in the operating environment. It became increasingly difficult to forecast and plan for the future by assessing the market.

A weakened result

After holding steady for a long period, the market situation for heavy trucks headed into decline. Sales of our customers' end products in our main market area, Europe, fell by about 10% compared with the previous year's record volumes. Despite this, PKC's deliveries to the vehicle industry grew by about 10%.

Deliveries of wiring systems for the vehicle industry represented a greater share within the company's total sales, due to the subdued period which the telecommunications and electronics industries were going through. As the new generation of telecommunications products delayed, sector's demand weakaned. The arrival of large globally operating manufacturers in Finland meant tighter competition in the Finnish electronics contract manufacturing market.

Throughout the markets everyone operated under tough cost pressures. PKC likewise lost some of its profitability during the past year and did not achieve its earnings objective. The Group nevertheless reached the lower targets that were set in the summer. PKC reported an operating profit of EUR 4.1 million, representing 3.3% of net sales. Net profit for the financial year fell substantially short of the previous year's figure and was EUR 2.9 million. Earnings are expected to improve as cost-effectiveness measures kick in.

A stronger market position

Despite the changes taking place in the industry, PKC has maintained its internationally strong position as a supplier of wiring harnesses to the commercial vehicle industry. Our market share has grown even during the prevailing recession in the sector. This gives us confidence in the future and, above all, the motivation to develop our operations and expertise further.

A process of centralisation continues in our customer industries. Manufacturers of vehicles and telecommunications products are concentrating on serving the end customer and on developing their own core expertise. Suppliers are chosen according to stringent criteria, and they must be able to respond to the customer's needs. PKC is a contract manufacturer and systems supplier, whose product development, materials and component expertise complements its strong know-how in manufacturing wiring harnesses and electronics.

PKC's devotes great care to managing its present close and functional customer relationships. Our position as a partner of major international companies is awakening interest farther afield too. During the past year our supply met with the needs of a major worldwide manufacturer of forest machines. PKC is actively seeking new challenges.

We are building future success

In the current year no noticeable upswing can so far be seen in the markets. Because growth is being deferred to coming years, we are paying particular attention to other factors that build shareholder value. The use of capital must be efficient and operations profitable. We are continuing the active cost-cutting measures that have been set in motion. The management of materials costs is a special development focus. We are looking for new opportunities and are focusing our expertise with a view to exploiting them.

There are plenty of challenges within the area of further developing operational quality. Delivery times are getting shorter whilst the number of product variations is on the rise. The rationalisation of materials flows and the production chain, as well as making them ever better adapted to customers' operations, are among PKC's most important objectives in the near future. We are gradually taking into use a new operations control system that covers the entire production network. This will yield greater efficiency for the versatile development of operations.

Wiring harnesses and electronics are PKC's core expertise

PKC's core areas of expertise are wiring harnesses and electronics production. PKC will continue to exploit and amplify these areas of expertise under the leadership of a new management. Harri Suutari, who has served as Executive Vice President since the start of the year, will take over as President and CEO when I step down at the Annual General Meeting in March. After operational changes Veijo Simonen, B.Sc.(Eng.) is in charge of the wiring harness production, and Eero Veijola, L.Sc.(Tech.), is responsible for the electronics factory in Raahe. The new organisation will serve, with renewed vigour, the active and performance-oriented development of know-how and operations.

All of us are of importance

In difficult times, the company's entire personnel is called upon to show strong determination and commitment in achieving shared objectives. We are continuing our work on defining the company's values. It is important that all of us strive to operate in our working environment in accordance with the principles we have chosen jointly. Everyone has their own important role in the co-operation that aims to achieve results. I wish to thank the entire personnel of PKC Group for the conscientious work done during the past financial year.

A vote of thanks also goes to the company's shareholders and customers along with our other stakeholders. PKC continues its dividend policy and will pay out more than a third of its net profit in dividends to its shareholders.

Tom Hakalax

PKC has an internationally strong position as a supplier of wiring harnesses for heavy vehicles.Product development and contract manufacturing know-how connected with electronics products is second strong area of competence.

Integrated Customer Service

PKC Group is a systems supplier and a contract manufacturer of wiring harnesses and electronics.

PKC Group has production facilities in Finland (Kempele and Raahe), as well as in the Netherlands and Brazil. The production and service network consists of PKC's own units together with domestic and foreign subcontractors. PKC Group had 938 employees at the end of 2001.

PKC has an internationally strong position as a supplier of wiring harnesses for heavy vehicles. The company has a long tradition of expertise within wiring harness technology. Product development and contract manufacturing know-how connected with electronics products is our second strong area of competence.

Customer sectors restructure their operations

PKC's customers are globally operating companies in the vehicle, automation and telecommunications industries. These customer industries are presently restructuring their operations. Companies are strengthening their core competencies and combining their functions through business arrangements, acquisitions, divestments and mergers. Non-core functions are being outsourced and purchases are being funnelled to a few select partners in co-operation.

The vehicle industry has long been a trailblazer in the development of industrial functions. These functions have been stepped up and rationalised, notably by reducing the number of suppliers. Operational efficiency has furthermore been increased through M&A arrangements. Volvo acquired the truck manufacturing operations of Renault and Mack after the EU Commission blocked the merger of Volvo and Scania. The future will probably bring further new combinations.

PKC has succeeded in responding to customer needs and maintaining its position as an important partner. In respect of its largest customers, this has meant growth in PKC's market share. As a well-known supplier, mergers will offer PKC new opportunities and noticeable challenges.

The telecommunications industry has taken a leading role in outsourcing non-core functions. Customers have outsourced to suppliers and partners the engineering design, logistics management and manufacturing operations that are not part of their core competence. The role of suppliers has expanded rapidly in recent years. As a result of M&A arrangements, a number of globally operating contract manufacturers started in Northern Finland with the aim of competing for market shares in the manufacture of electronics.

PKC's objective is to maintain and reinforce its position as a supplier to the electronics and telecommunications industries. The company is pursuing its role as a skilled partner that is able to offer product development and testing know-how as an essential part of its manufacturing service.

PKC is focusing on wiring harnesses and electronics

Just like its customers, PKC must focus its operations and concentrate increasingly on its areas of core expertise: wiring harnesses and electronics.

Wiring systems for vehicles, which previously merely supplied current, have evolved into part of an increasingly complex nervous system for vehicles - a system that carries also critical information that is needed for controlling the vehicle. PKC's major customers in the vehicle manufacturing industry are Scania and Volvo Trucks.

Applications derived from wiring harness expertise - busbars developed for current supply - are delivered to the telecommunications industry. Other main products for the electronics and telecommunications industry are circuit boards, power supplies, wiring harnesses and cabling as well as accessories and testing equipment. The main customers are Nokia's various units as well as Remec and ADC Telecommunications.

The biggest customer elsewhere in the electronics industry is Vacon, an automation manufacturer to whom PKC supplies manufacturing services for the control electronics of frequency converters.

PKC's objectives

PKC's central objectives are:

Close co-operation with customers

From the outset, PKC's operations have been based on close co-operation with customers. A systems supplier to the vehicle industry is part of the customer's process. In the electronics and telecommunications industries the core of services is also based on close co-operation with the customer, starting right from product development.

A strong market position – Creating new customer relationships

Occupying a position as the first-string supplier to global and renowned customers builds confidence when forming new customer relationships. PKC's expertise enjoys demand in the global electronics and vehicle industries.

Cost-effective production

Increasing the operational cost-effectiveness is a continuous quest. The main strategies are; moving work to countries with lower labour costs, streamlining the logistics and production chain and efficient management of materials costs.

High quality and flexibility

The quality of products and operations are fundamental factors in maintaining good customer relationships and cost-effectiveness. Comprehensive know-how and flexibility is needed from the personnel in a fast-changing operating environment.

There are no interfaces in an advanced business relationship between a systems supplier and the customer. The supplier is part of the customer's process.

Development of productivity, materials management and manufacturability

A systems supplier is required to have the ability to take risks and to evolve. The mere focusing on a few large main customers involves a degree of operational risk. In developing customised products and the means of producing them, the responsibility of the outcome of the customer's products lies partly on the supplier. The supplier must invest continuously in ever-evolving production technology and professional personnel. It is necessary to improve purchasing functions, the company's own network of suppliers, as well as materials and information flows. Product development and globalisation are mainly based on customers' needs.

PKC develops its operations systematically in order to achieve the objectives it has set as a systems supplier and contract manufacturer. Cost advantages are achieved by focusing on the main success factors: materials and logistics know-how, production flexibility and product manufacturability. The competence and well-being of personnel in the workplace are also significant factors.

A systems supplier is part of the customer's process

There are no interfaces in an advanced business relationship between a systems supplier and the customer. This means that the supplier is part of the customer's process. The compatibility of information systems and functions is a prerequisite for day-to-day co-operation. The aim of active co-operation is the best possible guarantee for profitability and competitiveness for both parties.

PKC is Scania's only supplier of wiring systems and one of Volvo's two suppliers. It is these customer relationships that have been the focus of further development in combining PKC's functions with those of the customer. The main focus of development projects in 2001 was on the joint production and processing of product development information and on placing delivery information on a fully real-time basis.

Product quality is fundamental - operational quality brings cost-effectiveness

Total conformity with specifications has always been the cornerstone of PKC's production. The importance of product quality is particularly highlighted in delivering comprehensive assemblies . A flawed product can lead to changes in the customer's manufacturing sequence and cause delays in the production timetable.

Apart from product quality, PKC has recently strengthened its commitment to operational quality, which is fundamental to profitable operations. Essential elements of PKC's work on improving operational quality are the certified quality and environmental systems (ISO 9001 and ISO 14001), as well as the quality system that has been developed for the special needs of the vehicle industry (QS9000) and will be certified at the beginning of 2002.

Comprehensive quality management has been supported by organising the entire production chain including subcontracting into an operational unit, in order to improve the management of profitability and quality through the entire chain. The ways of measuring goal-oriented operations and the results of work have been improved. The Group-wide key indicator system has been revamped.

The importance of delivery reliability and flexibility increases

The prevailing economic uncertainty places ever-greater demand on flexibility. Over the past year the uncertainty was reflected in the large fluctuations in the forecasts obtained from customers and in actual delivery volumes. Estimation difficulties are setting ever-tougher challenges for delivery reliability. Increased flexibility is needed due to customers' efforts to offer better service to the end-users through shorter delivery times and larger product selections.

Purchasing and customer deliveries have been centralised within PKC's own units. Manufacturing is decentralised to production network. Management of large entities and efficient use of new systems and tools are required from PKC's personnel in order to develop materials management for the entire network.

Continuous development of the network's inventory management is necessary. Materials account for more than half of the total costs of end products, and the number of purchased materials is growing continuously as products become ever more complex. Determined measures to reduce inventory levels have already led to results during 2001. The main development objective for the subcontractor network in 2002 is to shorten throughput times significantly.

Depending on the specific agreement, the customer bears only a part of the risk related to materials. Customers' changing forecasts thus subject PKC's materials management to periodic pressures. Ever-quickening changes in the forecasts and shorter product life cycles have led to greater risks of obsolete products and materials. Materials management is being developed further by placing it within a network-wide operations control system, thereby decreasing materials risks.

As a result of close relationships that are built on mutual trust, the speed and precision of passing and processing delivery related information were improved during 2001, in projects that were launched jointly with major customers.These points will be emphasised also in the future.

Lowered selling prices impose comprehensive cost savings

PKC's customers require from their suppliers, not only quality and delivery reliability, but also targets for lowering their selling prices. This places demands on decreasing materials prices and manufacturing costs.

Customers have shifted an increasing share of the responsibility for materials purchasing to PKC. In order for the cost pressures, that have resulted from lower selling prices, to be passed on as efficiently as possible into materials prices, the prices of materials are negotiated in a centralised way, even though manufacturing and materials use are decentralised.

Cost pressures within manufacturing make it imperative to invest continuously in manufacturing methods and personnel's competence. The company must concentrate on developing further its special domestic expertise whilst transferring manual labour-intensive phases increasingly to countries with a lower cost level.

The employee's efficiency, competence, motivation and commitment are prerequisites for the company's operations.

Better product manufacturability

PKC helps its customers to design products whose manufacturability and maintenance during the product's life cycle has been implemented insightfully, making use of the latest technologies. Product development work is driven by customer needs and carried out in co-operation with customers. PKC acts as a partner whose know-how provides a natural complement to the customer's own product development expertise and makes the partner's core processes more flexible.

The products manufactured by PKC go into industrial capital goods such as industrial instrumentation, telecommunications systems and heavy transport vehicles. The flawlessness of PKC's products and quality extending across the entire product's life cycle are of primary importance for the proper functioning of customers' end products. To achieve this, the product's manufacturing and testing requirements, as well as matters that affect maintainability need to be taken into account already in the product development phase. PKC's customer companies are the world's market and technology leaders in their fields. This means that they themselves have in-depth expertise in the special fields connected with their products.

The cornerstones of PKC's product development expertise are knowledge of production and testing technologies coupled with expertise related to components and materials. For example, products that are more manufacturing-friendly can be obtained by selecting alternative components that comply with requirements and by adapting working methods to the existing manufacturing environment. As part of the "Design for Manufacturing" project, PKC's personnel worked together with its largest customers during 2001 to explore ways of improving the manufacturability of products.

Product development in a networked environment

The trend towards decentralised product development highlights the importance of managing new design tools and new methods of working. Along with the introduction of the latest in CAD technology, PKC's product development has placed in use the latest methods of network engineering. Particular attention has been given to the efficiency of the product development process and the quality of the subcontractors. It must be possible to combine work results of different design phases and different design groups quickly and effortlessly and to test their conformance to specifications.

In the field of busbar technologies PKC is able to serve customers whose products call for compact and customised current supply solutions. Power supply engineering expertise has been expanded, and design expertise for plastic components used in electronics has been strengthened by reinforcing PKC's own resources and expanding co-operation with specialised companies in the sector. PKC also designs and manufactures products such as accessories required by the electronics and telecommunications industry.

Co-operation agreements and joint research

As a systems supplier to the heavy vehicle industry, PKC bears a growing responsibility for coming up with new technologies and future solutions for the electrical and data transfer of vehicles. With the increasing number of electrical functions in vehicles, new techniques have been sought for simplifying the structure of wiring harnesses and fitting functions into a smaller space. During the past year PKC entered into a co-operation agreement with IWS International Oy of Oulu, Finland, a company that develops cabling solutions for vehicles.

Close co-operation that got started during 2000 was continued with universities and research institutes, notably in exploring optical data transmission bus technologies. New research projects delving into new product and production technologies were also started. Examples of these are the INTELE project, a project surveying methods of manufacturing plastic components in small series, as well as a project connected with introducing methods of networked working.

The personnel implements the company's strategy

The personnel is of decisive importance for the company's development and competitiveness. Processes, information systems and other tools have their own important role, but it is people who carry out the company's strategy. The employee's efficiency, competence, motivation and commitment are prerequisites for the company's operations.

The objective of PKC's human resources strategy is to make the company an efficient and competent workplace where personal well-being thrives. In the past year the company proceeded to improve systematically production efficiency, product development and business know-how, as well as the well-being of the entire personnel.

PKC's human resources policy is based on the common values selected by the personnel. During the year the employees concentrated on internalising these values. A personal assessment, of how the values are put into action, has been made an important part of the annual development discussions. The employee and supervisor together go through how the employee, supervisor and the company as a whole, can and have realised the company's values in their own work.

Emphasising the well-being viewpoint

In the late spring the company conducted an extensive survey to determine the personnel's notions of the organisation's way of working, the employee's occupational fitness and the development of well-being. On the basis of these responses, clear-cut objectives and measuring methods have been set for factors which affect well-being in the workplace. This in order to be able to monitor the level of well-being and development areas. A working group was set up to bring the well-being viewpoint into all company's development work. Occupational healthcare, labour protection activities and the line organisation, each have a central role in this co-operation.

On-the-job learning offers concrete learning situations

The most extensive training project in 2001 was the training for the production assembly personnel and work instructors. The objective was to provide capabilities for learning on the job. Particularly when studying skills, in many cases on-the-job learning offers a more effective way of learning and understanding new things than participating courses. On-the-job learning offers concrete learning situations: possibilities of learning from mistakes, customer feedback, interaction, also under pressure. Other training projects that have been carried out include training for production supervisors as well as project training for team-leaders of product development projects.

Developing core expertise is the company's livelihood

Identifying areas of key expertise and the continuous development of know-how in the midst of the changes in the customer industries are major challenges. The content of development discussion expanded when the survey and the development of competence were amplified to cover each and every PKC blue and white-collar employee. The competence of teams and functions stems from the competence of individuals. A competence centre was formed in each function and by developing it the company's competitiveness will be maintained and further improved. The objective is to amplify PKC's expertise further in its customer segments and to increase the flexibility of production by strengthening the employee's multiple skills. The development training covering the entire personnel of the company aims to build on the good experiences that have been obtained by adopting on-the-job learning.

VALUES

Co-operation

Co-operation is our strenght and our resource. Through transparency, mutual respect and equal treatment we are able to create the conditions necessary for co-operation.

Development

We develop our expertise countinuously and are proud of it. We seek ever better operating models and practices, and we apply them with determination.

Commitment

We are bound by the promises given to our customers, partners and colleagues. We want to do our best in order to achieve the company's objectives and vision.

Quality

The quality of our operations will lead to success. Each of us assumes responsibility for the quality of our work. We feel our responsibility for the environment.

Report by the Board of Directors

PKC posts a profit in a difficult business environment

PKC Group's net sales in 2001 totalled EUR 125.1 million (128.6 million in 2000). Profit after financial items was EUR 2.6 million (8.0 million). Earnings per share were EUR 0.56 (EUR 1.01). Full-year net sales and earnings were in line with the net sales and earnings objectives set in the bulletin published on 20 June 2001. Fourth-quarter earnings showed signs of positive development.

Operations

Although the European heavy vehicle market weakened after the record volumes of the previous year, PKC succeeded in increasing its deliveries of wiring harnesses thanks to growth in market share. The growth in the telecommunications industry was slower than forecasted and PKC's deliveries to the sector fell. The decline in the profitability of customers' business operations and the contract manufacturing industry's keener competition were also reflected in the profitability of PKC's operations.

Customers have restructured their operations and outsourced non-core functions. The structure of both the customer and competitor line-up has partially changed due to operational changes.

During the past year PKC and Timberjack started co-operation. According to the agreement, PKC will manufacture all the wiring harness systems for Timberjack's forest machines in Europe. Timberjack, the world's leading manufacturer of forest machines, is part of the Construction and Forestry Division of Deere & Company of the USA.

PKC Electroplast Oy was sold to the company's line management on November 2001. The retention of the plastics technology expertise in PKC's network was ensured by making a product development and production co-operation agreement.

The wiring harness and electronics businesses were organisationally separated in respect of product development, production and marketing. The aim is to develop the operations based on the business areas' own expertise. Eero Veijola, L.Sc.(Tech.), the Group's former Production Director, was appointed as the local manager of the electronics factory in Raahe. Concurrently, the wiring harness production chain was organised into an operational unit, and Veijo Simonen, Engineer, the former Quality Director, was appointed director in charge of it.

New business area structure

PKC's business area structure was redefined at the beginning of the current year. Henceforth the company's business areas will be wiring harnesses and electronics. A shift has been made from segmentation according to customer industries to a division based on core competence areas. The reason behind restructuring is the independent development of both core competence areas.

PKC Group is contract manufacturer and systems supplier of electrotechnical products. The Wiring Harnesses business comprises the development and manufacture of wiring harnesses and cabling. The Electronics business area develops and manufactures electronics products. Some customers do business with both business areas.

The majority, nearly 90%, of PKC's deliveries go to the vehicle or telecommunications industries. Other net sales consist of deliveries to customers in the electronics and automation industries.

Net sales

Sales of wiring harnesses during the financial year amounted to EUR 91.8 million (89.2 million), accounting for 73.4% of consolidated net sales during the period (69.4%). Deliveries to the vehicle industry were up about 10% on the previous year, despite the industry's weakened performance. Sales of other cabling, primarily for base stations for telecommunications, nevertheless fell somewhat short of the figure a year earlier.

The electronics business area had net sales of EUR 33.3 million (39.4 million), representing 26.6% (30.6%) of net sales in the period. It was a generally weak year for the telecommunications industry because the sector's expectations were directed towards the next generation of networks. In other electronics customer groups, the general business downswing did not have a substantial effect on PKC's sales.

Financial performance

Consolidated operating profit in the report period was EUR 4.1 million (9.0 million), or 3.3% (7.0%) of net sales. The total amount of depreciation and amortisation was EUR 5.5 million (4.6 million), consisting of EUR 4.8 million of depreciation on fixed assets and EUR 0.7 million of amortisation of goodwill. Profit after financial items totalled EUR 2.6 million (8.0 million).

The cost-cutting program that was launched in the summer had a positive effect on earnings in the last quarter. The weakest quarter of the past financial year was the second quarter. The order backlog strengthened after the third quarter.

Financial position

The amount of interest-bearing loans was EUR 22.2 million (22.9 million). Cash in hand and at bank amounted to EUR 3.0 million (1.3 million). The Group's net financial expenses totalled EUR 1.5 million (1.0 million). The Group's equity ratio improved during the financial year and was 40.7% on the balance sheet date (37.3%). The ratio of net interest-bearing liabilities to shareholders' equity (gearing) was 0.7 (0.9) at the end of the period. Cash flow after capital expenditures was positive and totalled EUR 5.4 million (11 million negative).

Thanks to increased operational efficiency, the amount of inventories diminished by EUR 4.8 million during the financial year. The amount of inventories held by PKC Electroplast, which was spun out from the Group during the financial year, was EUR 0.6 million at the start of the year.

Capital expenditures

The Group's gross capital expenditures on fixed assets totalled EUR 3.8 million (8.1 million), amounting to 3.0 % of net sales. Capital expenditures went for production machinery and equipment.

Research & Development

Research and development expenditure totalled EUR 3.5 million (3.5 million), representing 2.8 % of consolidated net sales. At the end of the year, 43 people (52) were employed in product development.

PKC's product development is geared to customers' needs and carried out together with them. In product development projects, the company acts as a partner who complements the customer's core expertise by providing its knowledge of production and testing techniques, as well as its component and materials know-how.

Personnel

The Group had an average payroll during the report period of 1,052 employees (932). The Group's staff at the end of the year numbered 938 employees (974), 212 of whom worked abroad (188), with a total of 709 people at the parent company's locations in Kempele and Raahe (770). The subsidiary Engi had a payroll of 17 employees at the end of the year (16).

The number of employees at the company's facilities in Kempele and Raahe diminished during the autumn as fixed-term employment relationships came to an end. In addition, following co-determination negotiations, 11 employees were made redundant. At the factory in Raahe, 21 employees were laid off in April and they returned to work in the course of the summer. According to a decision taken in October, 32 people were laid off in Raahe in November for the time being.

In line with its human resources strategy, the company carried out a systematic programme of building production efficiency, product development and business expertise, as well as well-being of the entire personnel.

Quality and the environment

During the past financial year the company has emphasised operational quality alongside product quality. The certified quality and environmental systems (ISO 9001 and ISO 14001), as well as the quality system that was developed for the special needs of the vehicle industry and will be certified at the beginning of 2002 (QS 9000), are also an essential part of the development of operational quality.

Corporate Governance and Auditors

The Annual General Meeting of PKC Group Oyj, held in Kempele on 29 March 2001, confirmed the number of the members of the Board of Directors at 6. Elected to continue as directors were Tom Hakalax, Leo Ojala, Endel Palla, Veikko Ravaska, Risto Suonio and Jyrki Tähtinen. The Board of Directors elected Jyrki Tähtinen as its chairman.

The Annual General Meeting elected as the company's auditor Authorised Public Accounting Firm Oy Ernst & Young, with Rauno Sipilä, Authorised Public Accountant, acting as chief auditor.

At its meeting held on 19 December 2001, PKC's Board of Directors decided to strengthen the company's top management by inviting Harri Suutari (42), B. Sc. (Eng.) to join the company as from1 January 2002 as executive vice president and the CEO's deputy. The company's present Board of Directors also decided to propose that Tom Hakalax, the current president and CEO, be appointed chairman of the future Board of Directors effective 13 March 2002, when Harri Suutari will take over as the company's president and CEO.

Shares and shareholders

Turnover in PKC Group Oyj's share on Helsinki Exchanges during the financial year was EUR 9.3 million. During the period, 24% of the shares changed owners. The closing price of the PKC 1V share on the last day of the year was EUR 5.80. The high for the year was EUR 11.49 and the low was EUR 4.01. The market capitalisation of the shares at the balance sheet date was EUR 30.6 million.

PKC Group Oyj's share capital of EUR 1,774,383 and the number of shares (5,275,000) remained unchanged during the financial year. The share capital was converted to euros on 29 March 2001 in accordance with a resolution of the Annual General Meeting.

Major changes did not take place in ownership of the company's shares during the report period. Shares held or represented by the Board members accounted for 23.63 (23.9) % of the total number of shares at the end of the year. Operational management held 7.75 (8.8) % of the Group's share capital. PKC had 4,207 shareholders at the end of the period.

The subscription period for A warrants based on the bond with equity warrants, issued for personnel in 1998, began in April. The subscription price of the shares that can be subscribed for with the warrants is higher than the current market price. Accordingly, the realisation of the option rights and the subsequent changes in share capital are deferred to a later date. The period for exercising the 1998 warrants will continue up to the end of March 2004.

Future

The volumes of the heavy vehicle industry are estimated to decline by about a further 10% in 2002. Sales of wiring harnesses for vehicles are nevertheless expected to increase slightly thanks to new product models and an increase in market shares. Growth will also come from an expansion of vehicle-specific wiring harnesses. It is believed that the sector will not swing upward again until 2003 at the earliest.

Within the telecommunications industry, new third-generation network investments are not expected to take off any earlier than towards the end of the current year. This means that PKC Group's sales to the telecommunications industry are not believed to grow in the current year; in fact, they may fall.

Deliveries to other customers in the electronics and vehicle industry will probably show steady growth in the current year. Accordingly, the company believes that it will maintain its overall electronics sales at the present level.

In future, customers will continue to set, not only strict quality and delivery reliability requirements, but also cost pressures for their suppliers. This is why manual labour-intensive work stages will increasingly be moved to countries with a lower cost level. Materials costs will be attempted to be reduced by increasing the efficiency of purchases.

The pressure for shortening delivery times, as the number of variations of end products increases, will call for efficiency and flexibility on the part of both the personnel and the company's systems. The management of materials flows is becoming increasingly difficult. In the current year the company will introduce a new operations control system which will be an aid in reducing costs.

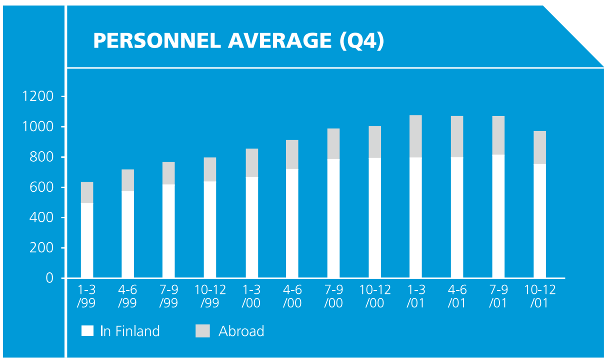
According to the current views of the company management, consolidated net sales are estimated to remain at the previous year's level. Profitability is expected to improve slightly owing both to cost-cutting that has already been carried out and planned new cost-cutting actions.

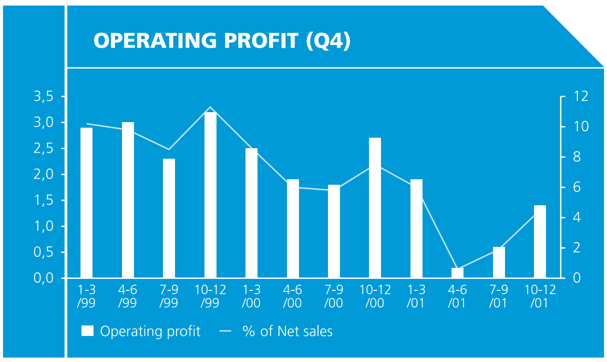
Events after the end of the financial year

The Annual General Meeting of PKC Group Oyj will be held on Wednesday, 13 March 2002, beginning at 4.00 p.m. at the parent company's head office in Kempele at the address Vihikari 10.

The interim reports for 2002 will be published as follows:

Interim Report for January-March 2002 on Thursday, 25 April 2002 at 9.00 a.m.
Interim Report for January-June 2002 on Thursday, 1 August 2002 at 9.00 a.m.
Interim Report for January-September 2002 on Thursday, 24 October 2002 at 9.00 a.m.





Group Income Statements

GROUP INCOME STATEMENTS, 1 000 EUR	Notes	1.1 - 31.12.2001	1.1 - 31.12.2000
NET SALES	1	125 121.8	128 647.8
Stocks of finished and unfinished goods, increase (+) or decrease (-)		-3 075.1	6628.2
Other operating income	2	420.3	663.9
Materials and services	3	75 334.7	84 828.4
Personnel costs	4	25 583.4	24 330.9
Depreciation and value adjustments	5	5 501.6	4 555.4
Other operating expenses	6	11 915.9	13 270.4
OPERATING PROFIT		4 131.4	8 954.9
Financial income and expenses	7	-1 503.0	-978.6
PROFIT BEFORE EXTRAORDINARY ITEMS		2 628.4	7 976.2
Extraordinary items	8		726.6
PROFIT BEFORE TAXES		2 628.4	8 702.8
Income taxes	10	327.2	-2 872.7
Minority shares		-11.0	3.9
PROFIT FOR THE FINANCIAL YEAR		2 944.7	5 834.0

Group Balance Sheet

GROUP BALANCE SHEET, 1 000 EUR	Notes	31.12.2001	31.12.2000
ASSETS			
FIXED ASSETS	11		
Intangible assets		5 223.4	6 512.4
Tangible assets		10 723.9	11 185.2
Investments	12	327.9	289.4
Fixed assets total		16 275.2	17 987.0
CURRENT ASSETS			
Inventories	14	21 333.2	26 108.6
Deferred tax asset	19	260.8	
Short-term receivables	15	23 803.6	23 020.5
Cash at bank and in hand		2 974.4	1 285.6
Current assets total		48 372.1	50 414.7
Assets total		64 647.3	68 401.8
LIABILITIES			
SHAREHOLDERS' EQUITY	16,17		
Share capital		1 774.4	1 774.4
Share premium account		166.1	166.1
Retained earnings		21 400.5	17 680.3
Profit for the financial year		2 944.7	5 834.0
Shareholders' equity total		26 285.6	25 454.7
MINORITY SHARE			25.9
CREDITORS			
Deferred tax liabilities	19		225.2
Long-term liabilities	20	14 833.1	19 028.4
Short-term liabilities	20	23 528.7	23 667.6
Creditors total		38 361.7	42 921.2
Liabilities total		64 647.3	68 401.8

Group Fund Statements

GROUP FUND STATEMENTS, 1 000 EUR	2001	2000
Cash flow from business operations		
Operating profit	4 131.4	8 954.9
Adjustments to operating profit	4 777.5	4 512.0
Change in working capital	363.5	-16 196.3
Financial income and expenses	-1 503.0	-978.6
Taxes	-158.8	-2 872.7
Total cash flow from business operations	7 610.6	-6 580.8
Cash flow from capital expenditures		
Investments in tangible and intangible assets	-3 713.2	-8 012.7
Capital expenditure on other investments	-53.6	60.4
Proceeds from tangible and intangible assets	1 532.9	3 575.3
Proceeds from other investments	34.2	
Disposed subsidiaries	-40.6	
Total cash flow from capital expenditures	-2 240.2	-4 376.9
Cash flow before financing	5 370.4	-10 957.7
Cash flow from financing		
Withdrawal of non-current liabilities	3 058.4	12 764.0
Repayments of non-current liabilities	-8 037.8	-856.2
Current liabilities increase (+), decrease (-)	3 403.9	-159.8
Current receivables increase (-), decrease (+)	4.0	-1.9
Dividends paid	-2 110.0	-2 637.5
Change in minority share		29.7
Total cash flow from financing	-3 681.5	9138.4
Change in financial resources	1 688.8	-1 819.3
Liquid assets 1 Jan.	1 285.6	3 104.9
Liquid assets 31 Dec.	2 974.4	1 285.6
Change in financial resources acc. to Balance Sheet	1 688.8	-1 819.3

Parent Company Income Statements

PARENT COMPANY INCOME STATEMENTS, 1 000 EUR	Notes	1.1. - 31.12.2001	1.1. - 31.12.2000
NET SALES	1	114 521.9	106 311.8
Stocks of finished and unfinished goods, increase (+) or decrease (-)		-3 211.5	6 202.3
Other operating income	2	496.6	1 183.2
Materials and services	3	71 693.0	73 488.8
Personnel costs	4	21 084.4	18 567.9
Depreciation and value adjustments	5	5 198.0	3 429.4
Other operating expenses	6	15 387.1	10 423.6
OPERATING PROFIT (OR LOSS)		-1 555.5	7 787.6
Financial income and expenses	7	-1 117.2	-709.6
PROFIT BEFORE EXTRAORDINARY ITEMS (OR LOSS)		-2 672.7	7 078.1
Extraordinary items	8		726.6
PROFIT BEFORE APPROPRIATIONS AND TAXES (OR LOSS)		-2 672.7	7 804.6
Appropriations	9	685.0	-193.9
Income taxes	10	29.3	-2 344.6
PROFIT FOR THE FINANCIAL YEAR		-1 958.4	5 266.0

Parent Company Balance Sheet

PARENT COMPANY BALANCE SHEET, 1 000 EUR	Notes	31.12.2001	31.12.2000
ASSETS			
FIXED ASSETS	12		
Intangible assets		7 063.5	8 661.1
Tangible assets		9 444.8	9 369.3
Investments and shares	13		
Shares in group companies		1 739.2	1 837.5
Receivables from group companies		737.5	650.2
Other investments		327.9	278.2
Fixed assets total		19 313.0	20 796.2
CURRENT ASSETS			
Inventories	14	19 297.7	23 533.8
Long-term receivables	15		3 871.6
Short-term receivables	15	24 422.7	24 928.4
Cash at bank and in hand		1 231.0	346.9
Current assets total		44 951.5	52 680.7
Assets total		64 264.4	73 477.0
LIABILITIES			
SHAREHOLDERS' EQUITY	16,17		
Share capital		1 774.4	1 774.4
Share premium account		166.1	166.1
Retained earnings		26 513.9	23 357.8
Profit for the financial year		-1 958.4	5 266.0
Profit for the financial year		26 495.9	30 564.3
ACCUMULATED APPROPRIATIONS	18	77.5	762.5
CREDITORS			
Long-term liabilities	20	14 833.1	19 021.0
Short-term liabilities	20	22 857.9	23 129.1
Creditors total		37 691.0	42 150.2
Liabilities total		64 264.4	73 477.0

Parent Company Fund Statements

PARENT COMPANY FUND STATEMENTS, 1 000 EUR	2001	2000
Cash flow from business operations		
Operating profit	-1 555.5	7 787.6
Adjustments to operating profit	4 422.1	3 386.1
Change in working capital	5 060.4	-15 062.7
Financial income and expenses	-1 117.2	-709.6
Taxes	29.3	-2 344.6
Total cash flow from business operations	6 839.1	-6 943.2
Cash flow from capital expenditures		
Investments in tangible and intangible assets	-3 487.1	-6 761.7
Capital expenditure on other investments	-141.0	-266.6
Proceeds from tangible and intangible assets	1 422.7	3 575.3
Proceeds from other investments	31.7	101,8
Disposed shares of subsidiaries	100.9	
Total cash flow from capital expenditures	-2 072.7	-3 351.1
Cash flow before financing	4 766.4	-10 294.3
Cash flow from financing		
Withdrawal of non-current liabilities	3 058.4	12 428.6
Repayments of non-current liabilities	-8 030.4	-448.7
Current liabilities increase (+), decrease (-)	3 403.9	
Current receivables increase (-), decrease (+)	-204.2	-620.4
Dividends paid	-2 110.0	-2 637,5
Total cash flow from financing	-3 882.3	8 722,0
Financial resources transferred through mergers		502.4
Change in financial resources	884.1	-1 069.9
Liquid assets 1 Jan.	346.9	1 416.8
Liquid assets 31 Dec.	1 231.0	346.9
Change in financial resources acc. to Balance Sheet	884.1	-1 069.9

Accounting Principles

The Scope of the Financial Statements

The consolidated financial statements include, in addition to PKC Group Oyj, the companies in which the company holds, directly or indirectly, over 50 per cent of voting rights at the end of the financial period. The consolidated income statement includes the income statements of the subsidiaries divested during the financial year up to the time of sale. Subsidiaries are no longer included in the consolidated balance sheet after the time of sale.

Stock Ownership

The Group's financial statements have been prepared using the acquisition cost method. The goodwill arising on the acquisition of PKC Electronics Oy, which was merged into the parent company in 2000, will be amortised in the consolidated financial statements over eight years. Due to the strategic significance of the acquisition, the goodwill will be depreciated during a period of more than five years.

Internal Business Transactions and Margins

Intra-Group transactions, unrealised margins on internal deliveries, internal receivables and liabilities, as well as the internal distribution of profits, have been eliminated.

Minority Interest

Minority interests have been separated out from consolidated shareholders' equity and net profit and stated as separate items.

Foreign Subsidiaries

The Brazilian subsidiary is classified as a unit that is integrally connected with the parent company's operations. Based on the classification, its income statement items have been translated using the average monthly exchange rate, except for the currency translation of depreciation and inventory items, which have been translated applying the exchange rates on the date of the transactions. Financial assets, receivables and liabilities in the balance sheet have been translated at the exchange rates on the balance sheet date, and other balance sheet items at the rates on the transaction dates of said items. The resulting exchange rate differences have been entered in the financial statements under financial income and expenses.

Foreign Currency Items

Business transactions in foreign currencies have been entered during the financial period using the exchange rate on the transaction date. Balance sheet items open on the closing date of the financial period have been valued using the average rate on the date of closing the accounts. The exchange rate differences are given in the profit and loss account.

Fixed Assets

Fixed assets are itemised at their direct acquisition cost. Depreciation on fixed assets is calculated according to plan. The amortisation period for goodwill arising on the merger of a subsidiary ends in the parent company's accounts at the same time as the original goodwill depreciation period resulting from the acquisition of said subsidiary. The depreciation periods based on estimated service durations are as follows:

Intangible rights	4 - 5	years
Goodwill	6.5 - 8	years
Other long-term expenditures	3 - 10	years
Buildings and constructions	5 - 20	years
Machinery and equipment	3 - 10	years
Other tangible assets	5 - 10	years

Current Assets

Current assets are valued on the basis of the variable expenses arising through purchase and production, or on the basis of a lower likely transfer price. Acquisition cost valuations have been based on the average price method.

Net sales

Net sales are calculated from the Group's total revenue obtained from goods produced, from which discounts and VAT have been deducted.

Research and Development Costs

Research and development costs have been entered as expenses for the financial period during which they were incurred.

Rent for Leased Assets

The rent for leased assets was entered as a cost in the income statement.

Pension Costs

The retirement plans for employees are provided by external insurance companies. Pension insurance payments are periodised to correspond to the performance-based salaries in the financial statements. The retirement age of some of the senior executives has been lowered to 58 years.

Direct Taxes

Direct taxes for the financial period have been periodised and entered in the income statement. In the consolidated financial statements, deferred tax liabilities and assets are attributable to appropriations and the parent company's loss for the 2001 financial year. According to conservative accounting policy, no other deferred tax assets have been entered or presented in the Notes to the financial statements.

Adjustments to Previous-period Information

The parent company's inventories in the previous year have been adjusted to correspond to the present accounting policy. The adjustment does not have an effect on the total amount of the parent's or the Group's inventories in the previous year, and relates solely to the proportions of uncompleted goods and finished goods.

The funds statements for the previous year have been adjusted to correspond to the present accounting practice. The adjustments made do not have material effects on the content of the previous year's funds statements.

The Group's business area structure was changed at the end of 2001; accordingly, the comparison figures for the previous year have been adjusted in accordance with the new division into business areas.

In accordance with a pre-emptive purchase condition in the relevant lease agreement, in the 2001 financial statements the parent company capitalised the remaining acquisition cost of the manufacturing facility and the remaining amount of the liability in the balance sheet in accordance with the principles of financial leases. In the previous financial statements, the lease agreement has been treated as an operating lease. The adjustment to the previous entries was carried out in the last quarter of 2001 and its expense-reducing net effect on the parent company's depreciation and other operating expenses is EUR 138,000.

The goodwill arising from the acquisition of PKC Electronics Oy, which was merged into the parent company in 2000, is stated, as from the beginning of the 2001 consolidated financial statements, as goodwill in accordance with its present nature.

Notes to the Financial Statements

1 000 EUR	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
1. Net sales by business units and market areas				
Net sales by business units				
Wiring harnesses	91 858.7	89 204.8	82 848.9	83 904.3
Electronics	33 263.1	39 443.0	31 672.9	22 407.5
Total	125 121.8	128 647.8	114 521.9	106 311.8
Net sales by market areas				
Finland	43 985.5	47 744.8	40 834.3	33 270.5
Other Nordic countries	41 983.8	40 607.9	41 175.7	40 591.2
Rest of Western Europe	29 575.6	28 159.1	29 571.8	25 762.8
Others	9 577.0	12 136.1	2 940.1	6 687.2
Total	125 121.8	128 647.8	114 521.9	106 311.8
2. Other operating income				
Sales income	135.7	336.4	135.7	336.4
Other income	284.7	327.6	361.0	846.8
Total	420.3	663.9	496.6	1 183.2
3. Materials and services				
Raw materials and consumables				
Purchases during the financial period	65 673.4	80 371.1	59 990.8	64 954.7
Increase (-) or decrease (+) in inventories	1 169.3	-4 943.5	1 031.3	-2 499.6
Outsourced services	8 492.0	9 400.8	10 671.0	11 033.7
Total	75 334.7	84 828.4	71 693.0	73 488.8
4. Personnel costs				
Wages and salaries	20 210.7	18 975.6	17 064.0	14 829.0
Social security expenses				
Pension expenses	2 663.8	2 746.9	2 393.9	2349.7
Other social security expenses	2 708.9	2 608.3	1 626.5	1389.2
Total	25 583.4	24 330.9	21 084.4	18 567.9
Salaries and fees to members of the Board and the Managing Directors	269.1	392.9	156.1	220.8
Average number of personnel				
Clerical employees	255	182	189	141
Employees	797	750	551	459
Total	1 052	932	740	600
5. Depreciation and value adjustment				
Planned depreciation	5 501.6	4 555.4	5 198.0	3 429.4
6. Other operating expenses				
Writedowns from assets *	16.2	4.9	5 233.4	4.9
Other operating expenses	11 899.7	13 265.5	10 153.7	10 418.7
Total	11 915.9	13 270.4	15 387.1	10 423.6

*) Parent Company's writedowns from assets include writedown of EUR 5.217 million from Brazilian subsidiary's sales receivables.

1 000 EUR	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
7. Financial income and expenses				
Dividend yields				
From others	6.2	2.0	6.2	
Income from other investments held as non-current assets				
From others	2.2	1.4	2.0	1.4
Other interests and financial income				
From Group companies			202.9	220.1
From others	209.4	166.2	187.6	124.3
Total	209.4	166.2	390.5	344.4
Interest and other financial expenses				
To others	-1 720.7	-1 148.2	-1 515.9	-1 055.4
Financial income and expenses total	-1 503.0	-978.6	-1 117.2	-709.6
Financial income and expenses total includes net exchange rate differences	-144.3	130.1	130.7	241.0
8. Extraordinary items				
Extraordinary income				
Sales income		726.6		726.6
9. Appropriations				
Increase (-) or decrease (+) in depreciation reserves			685.0	-193.9
10. Income taxes				
Income taxes from actual operations	-158.8	-2 601.7	29.3	-2 133.9
Income taxes from extraordinary items		-210.7		-210.7
Change in deferred tax liabilities and receivables	486.0	-60.3		
Total	327.2	2 872.7	29.3	-2 344.6

11.Fixed assets

Group

Intangible assets

1 000 EUR	Intangible rights	Goodwill	Consolidated goodwill	Other long-term expenditures	Advance payment	Total
Acquisition cost	432.7		5 831.9	1 885.1	1 083.1	9 232.9
+Increases	159.5			9.6		169.1
-Decreases	-105.1		-28.9		-255.3	-389.3
+/- Transfres		5 803.0	-5 803.0			
Acquisition cost 31.12.2001	487.2	5 803.0		1 894.7	827.9	9 012.7
Acc. depreciation and value adjustments 1.1.2001	-115.5		-28.9	-1 125.3		-1 269.8
-Accumulated depreciation of deductions and transfers	61.1	-1 426.5	28.9			-1 336.5
-Depreciation for the financial period	-156.0	-749.6		-277.5		-1 183.1
Accumulated depreciation 31.12.2001	-210.4	-2 176.1		-1 402.8		-3 789.3
Book value 31.12.2001	276.8	3 626.9		491.9	827.9	5 223.4
Book value 31.12.2000	317.2		4 352.3	759.8	1 083.1	6 512.4

Tangible assets 1000 EUR	Land areas	Buildings and constructions	Machinery and equipment	Other tangible assets*	Advanced payments and acquisition in progress	Total
Acquisition cost 1.1.2001	577.4	359.6	16 322.7	79.7	287.2	17 626.5
+Increases		62.4	2 800.6	1 470.6		4 333.7
-Decreases	-40.7	-229.1	-1 083.4		-98.8	-1 452.1
Acquisition cost 31.12.2001	536.7	193.0	18 039.9	1 550.3	188.4	20 508.1
Acc. depreciation and value adjustments 1.1.2001		-52.5	-6 334.9	-53.9		-6 441.3
- Accumulated depreciation of deductions and transfers		44.4	930.1	1.2		975.7
- Depreciation for the financial period		-36.9	-3 838.3	-443.4		-4 318.6
Accumulated depreciation 31.12.2001		-45.0	-9 243.2	-496.1		-9 784.2
Book value 31.12.2001	536.7	148.0	8 796.7	1 054.2	188.4	10 723.9
Book value 31.12.2000	577.4	307.1	9 987.8	25.7	287.2	11 185.2

Investments 1000 EUR	Other investments and shares	Other receivables	Total
Acquisition cost 1.1.2001	273.4	16.0	289.4
+Increases	11.5	42.0	53.6
-Decreases	-15.1		-15.1
Acquisition cost 31.12.2001	269.9	58.0	327.9
Book value 31.12.2001	269.9	58.0	327.9
Book value 31.12.2000	273.4	16.0	289.4

*) Other tangible assets include the remaining acquisition cost of the manufacturing liability EUR 1.435 million and depreciations EUR 0.43 million.

12. Fixed assets

Parent Company

Intangible assets

1000 EUR	Intangible Rights	Goodwill	Other long-term expenditures	Advance payments	Total
Acquisition cost 1.1.2001	403.9	7 458.7	1 332.3	1 083.1	10 278.0
+ Increases	149.5		1.7		151.3
- Decreases	-81.9			-255.3	-337.1
Acquisition cost 31.12.2001	471.6	7 458.7	1 334.0	827.9	10 092.1
Acc. depreciation and value adjustments 1.1.2001	-116.0	-573.7	-927.2		-1 616.9
- Acc. depreciation of deductions and transfers	42.9				42.9
- Depreciation for the financial period	-142.2	-1 147.5	-164.8		-1 454.5
Accumulated depreciation 31.12.2001	-215.3	-1 721.2	-1 092.0		-3 028.6
Book value 31.12.2001	256.2	5 737.4	242.0	827.9	7 063.5
Book value 31.12.2000	287.9	6 884.9	405.1	1 083.1	8 661.1

Tangible assets 1 000 EUR	Land areas	Buildings and construction	Machinery and equipment	Other tangible assets*	Advance payments and acquisition in progress	Total
Acquisition cost 1.1.2001	577.4	65.4	14 295.0	79.7	276.6	15 294.0
+Increases		59.2	2 691.3	1 470.6		4 221.0
- Decreases	-40.7	-65.4	-1 074.8		-88.2	-1 269.1
Acquisition cost 31.12.2001	536.7	59.2	15 911.5	1 550.3	188.4	18 246.0
Acc. depreciation and value adjustments 1.1.2001		-1.4	-5 869.4	-53.9		-5 924.7
- Acc. depreciation of deductions and transfers		3.4	863.6			867.0
- Depreciation for the financial period		-3.8	-3 297.5	-442.1		-3 743.5
Accumulated depreciation 31.12.2001		-1.9	-8 303.2	-496.1		-8 801.2
Book value 31.12.2001	536.7	57.3	7 608.3	1 054.2	188.4	9 444.8
Book value 31.12.2000	577.4	63.9	8 425.7	25.7	276.6	9 369.3

Investments 1 000 EUR	Holdings in Group companies	Receivables from Group companies	Other shares and similar rights of ownership	Other receivables	Total
Acquisition cost 1.1.2001	1 837.5	650.2	262.2	16.0	2 765.9
+ Increases		87.4	11.5	42.0	141.0
- Decreases	-98.3		-3.9		-102.2
Acquisition cost 31.12.2001	1 739.2	737.5	269.9	58.0	2 804.6
Book value 31.12.2001	1 739.2	737.5	269.9	58.0	2 804.6
Book value 31.12.2000	1 837.5	650.2	262.2	16.0	2 765.9

*) Other tangible assets include the remaining acquisition cost of the manufacturing liability EUR 1.435 million and depreciations EUR 0.43 million.

13. Investments and shares

Group Companies	Group's ownership, %	Parent ownership, %
Engi Oy	100	100
PK Cables do Brasil		
Industria e Commercio Ltda.	90	90
PK Cables Nederland B.V.	100	
PKC Europe B.V.	100	
PKC Holding Nederland B.V.	100	100

1 000 EUR	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
14. Inventories				
Raw materials and supplies	10 344.6	11 906.9	9 123.0	10 154.3
Works in progress	6 077.9	7 093.6	5 449.0	6 604.2
Finished goods	4 860.7	7 041.1	4 718.0	6 774.3
Advance payments	50.0	67.1	7.7	1.0
Total	21 333.2	26 108.6	19 297.7	23 533.8

1 000 EUR	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
15. Receivables				
Long-term receivables				
Receivables from Group companies				
Trade receivables				3 871.6
Short-term receivables				
Receivables from Group companies				
Trade receivables			401.3	1 888.1
Loan receivables			958.2	750.1
Prepayments and accrued income			128.7	460.9
Total			1 488.3	3 099.0
Others				
Trade receivables	21 172.4	20 504.8	20 381.7	19 723.7
Loan receivables	20.7	24.6	20.7	24.6
Other receivables	762.1	1 301.5	722.8	1 024.8
Unpaid subscribed capital	4.6	5.1		
Prepayments and accrued income	1 843.9	1 184.4	1 809.3	1 056.3
Total	23 803.6	23 020.5	22 934.4	21 829.3
Total short-term receivables	23 803.6	23 020.5	24 422.7	24 928.4
Prepayments and accrued income				
From Group companies				
Taxes				103.2
Others			128.7	357.7
Total			128.7	460.9
Others				
Personnel expenses	490.4	177.7	489.3	151.8
Financial items	3.6	2.2		
Taxes	1 147.1	797.7	1 147.1	735.7
Others	202.8	206.9	172.8	168.7
Total	1 843.9	1 184.4	1 809.3	1 056.3
16. Shareholders' Equity				
Share Capital 1.Jan.	1 774.4	1 774.4	1 774.4	1 774.4
Share capital 31.Dec.	1 774.4	1 774.4	1 774.4	1 774.4
Share premium account 1 Jan.	166.1	166.1	166.1	166.1
Share premium account 31 Dec.	166.1	166.1	166.1	166.1
Retained earnings 1 Jan.	23 514.2	20 317.8	28 623.9	25 995.3
Dividend distribution	-2 110.0	-2 637.5	-2 110.0	-2 637.5
Other adjustments	-3.7			
Retained earnings 31 Dec.	21 400.5	17 680.3	26 513.9	23 357.8
Profit for the financial year	2 944.7	5 834.0	-1 958.4	5 266.0
Total shareholders' equity	26 285.6	25 454.7	26 495.9	30 564.3

1 000 EUR	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
17. Calculation of distributable funds 31 Dec				
Retained earnings 31 Dec.	21 400.5	17 680.3	26 513.9	23 357.8
Profit or loss for the financial year	2 944.7	5 834.0	-1 958.4	5 266.0
Share of accumulated depresiation reserves entered under shareholders' equity	-54.8	-551.3		
Total	24 290.4	22 962.9	24 555.5	28 623.9
18. Accumulated appropriations				
Depreciation reserves			77.5	762.5
19.Deferred tax assets and liabilities				
from appropriations	-22.4	-225.2		
From Parent Company's loss in 2001	283.2			
Total	260.8	-225.2		
20. Creditors				
Long-term liabilities				
To others				
Bonds	17.0	71.6	17.0	71.6
Loans from financial institutions	9 136.2	12 451.9	9 136.2	12 451.9
Pension loans	985.0	1 508.2	985.0	1 508.2
Advances received		7.4		
Other liabilities	4 694.9	4 989.2	4 694.9	4 989.2
Total long-term liabilities	14 833.1	19 028.4	14 833.1	19 021.0
Short-term liabilities				
Amounts owed to Group companies				
Trade payables			174.8	289.9
Accruals and deferred income				266.5
Total			174.8	556.4
To others				
Loans from financial institutions	6 815.7	3 425.9	6 815.7	3 425.9
Pension loans	524.7	524.7	524.7	524.7
Advances received	5.0		5.0	
Trade payables	10 764.5	13 485.1	10 599.0	12 838.1
Other liabilities	1 404.0	1 098.9	1 059.5	787.3
Accruals and deferred income	4 014.8	5 133.1	3 679.4	4 996.8
Total	23 528.7	23 667.6	22 683.2	22 572.7
Total short-term liabilities	23 528.7	23 667.6	22 857.9	23 129.1
Accruals and deferred income				
Amounts owed to Group companies				
Financial items				12.5
Financial items				254.0
Total				266.5
To others				
Personnel expenses	3 416.7	4 756.9	3 275.8	4 660.6
Financial items	144.2	212.2	144.2	212.2
Taxes	156.7	16.4	10.3	
Others	297.3	147.6	249.1	123.9
Total	4 014.8	5 133.1	3 679.4	4 996.8

Bond with warrants

The bond loan with warrants issued to personnel in 1998 has been wholly paid back on 24 April 2001. Group has in its possession 61 250 undistributed option warrants. The share subscription period is from 2001 to 2004. Subscription price is EUR 20.5 per share, decreased by the amount of dividends distributed prior to the subscription of shares. As a consequence of subscriptions, the share capital can increase by a maximum of 400 000 new shares (total accounting countervalue EUR 136 000).

Of the bond loan with warrants issued to personnel in 2000, a total of EUR 16 987.01 has not been paid back. Group has in its possession 10 000 option warrants and 14 000 remain unsubscribed.The share subcription period is from 2003 to 2006. Subscription price is EUR 25 per share, decreased by the amount of dividends distributed after 31 March 2000 and prior to the subscription of shares. As a consequence of subscriptions, the share capital can increase by a maximum of 125 000 new shares (total accounting countervalue EUR 42 500).

	Group		Parent Company	
1 000 EUR	2001	2000	2001	2000
Loans falling due later than five years from now				
Loans from financial institutions		240.3		240.3
Pension loans	160.6	172.7	160.6	172.7
Total	160.6	413.0	160.6	413.0
21. Pledges given				
Liabilities involving mortgages as security				
Loans from financial institutions	1 105.3	1 572.6	1 105.3	1 572.6
Mortgages given	3 195.6	4 372.9	3 195.6	4 372.9
Pension loans	252.3		252.3	
Mortgages given	504.6		504.6	
Mortgages total	3 700.1	4 372.9	3 700.1	4 372.9
Pledges given on behalf of Group companies	132.7	90.8	132.7	90.8
Pledges given on behalf of others	840.9		840.9	
22. Commitments and other liabilities				
Amounts to be paid for leasing commitments				
For the current financial period	553.1	304.2	512.9	291.2
Falling due at a later date	864.7	663.6	773.6	650.6
Total	1 417.8	967.8	1 286.6	941.8
Contingent liabilities				
Rent for current facilities				
For the current financial period	1 527.6	1 523.8	1 527.6	1 523.8
Falling due at a later date	12 948.3	13 825.0	12 948.3	13 825.0
Total	14 475.9	15 348.8	14 475.9	15 348.8

Group's Five Year Review

INDICATORS OF FINANCIAL DEVELOPMENT	2001	2000	1999	1998	1997
Net sales, EUR 1 000	125 122	128 648	113 889	83 565	65 555
Change in net sales, %	-2.7	13.0	36.3	27.5	49.8
Operating profit, EUR 1 000	4 131	8 955	11 357	10 676	7 984
% of net sales	3.3	7.0	10.0	12.8	12.2
Profit before extraordinary items, EUR 1 000	2 628	7 976	10 725	10 071	7 932
Profit before taxes, EUR 1 000	2 628	8 703	10 725	10 071	7 932
Net profit, EUR 1 000	2 945	5 834	7 330	7 000	5 590
% of net sales	2.4	4.5	6.4	8.4	8.5
Return on equity, % (ROE)	11.4	22.3	36.5	44.5	53.1
Return on investment, % (ROI)	9.0	22.3	34.1	42.5	56.6
Gearing	0.7	0.9	0.4	0.4	-0.2
Equity ratio	40.7	37.3	43.3	36.1	48.2
Quick ratio	1.1	1.0	1.0	1.2	1.3
Current ratio	2.1	2.1	1.7	1.8	2.0
Gross investments, EUR 1 000	3 767	8 097	4 860	12 200	2 400
% of net sales	3.0	6.3	4.3	14.6	3.7
R&D expenses, EUR 1 000	3 451	3 476	3 400	1 300	1 200
% of net sales	2.8	2.7	3.0	1.6	1.8
Order backlog , EUR 1 000	33 099	46 776	29 201	26 271	19 560
Personnel, average	1 052	932	730	390	295

KEY SHARE RATIOS	2001	2000	1999	1998	1997
Earnings per share (EPS), EUR	0.56	1.01	1.39	1.33	1.06
Shareholders' equity per share, EUR	5.0	4.8	4.2	3.4	2.5
Dividend per share, EUR	0.25 *	0.40	0.50	0.54	0.42
Dividend per earnings, %	44.8 *	39.7	36.0	40.6	39.7
Effective dividend yield, %	4.3 *	4.0	1.9	2.4	2.8
Price/earnings ratio (P/E)	10.4	9.9	19.2	17.1	14.2
Share price at the end of the year, EUR	5.80	10.00	26.70	22.70	15.10
Lowest share price during the year, EUR	4.01	9.26	15.60	14.80	10.18
Highest share price during the year, EUR	11.49	29.85	28.50	32.50	15.98
Average share issue-adjusted number of shares, 1 000 shares	5 275	5 275	5 275	5 275	5 269
Average share issue-adjusted number of shares at the end of the financial year, 1 000 shares	5 275	5 275	5 275	5 275	5 275
Market value of shares, EUR 1 000	30 595	52 750	140 843	119 743	79 653
Dividend, EUR 1 000	1 319 *	2 110	2 638	2 849	2 216

PROFIT AND LOSS ACCOUNTS, EUR 1 000	2001	2000	1999	1998	1997
Net sales	125 122	128 648	113 889	83 565	65 555
Operating profit	4 131	8 955	11 357	10 676	7 984
Profit before taxes	2 628	8 703	10 725	10 071	7 932
Net profit	2 945	5 834	7 330	7 000	5 590
BALANCE SHEET, EUR 1 000					
ASSETS					
Fixed assets	16 275	17 987	17 396	16 246	5 516
Current assets	48 372	50 415	34 033	33 103	21 639
Total assets	64 647	68 402	51 429	49 350	27 155
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity	26 286	25 455	22 258	17 809	12 958
Minority share		26		7	126
Long-term liabilities	14 833	19 254	9 032	13 071	3 179
Short-term liabilities	23 529	23 668	20 138	18 463	10 893
otal liabilities	64 647	68 402	51 429	49 350	27 155

*) Board of Directors' proposal

Calculation of Key Ratios

Return on equity-% (ROE)	$100 \times \dfrac{\text{Profit before extraordinary items – taxes}}{\text{Shareholders equity + minority share (average)}}$
Return on investments-% (ROI)	$100 \times \dfrac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Total assets – interest free debts (average)}}$
Gearing	$\dfrac{\text{Interest-bearing liabilities - liquid assets and short-term investments}}{\text{Shareholders equity + minority share}}$
Equity ratio, %	$100 \times \dfrac{\text{Shareholders equity + minority share}}{\text{Total assets - advances received}}$
Quick ratio	$\dfrac{\text{Liquid assets}}{\text{Current liabilities}}$
Current ratio	$\dfrac{\text{Liquid assets + inventories}}{\text{Current liabilities - advances received}}$
Earnings per share (EPS), EUR	$\dfrac{\text{Profit before extraordinary items – taxes +/- miniority share}}{\text{Avarage share issue-adjusted number of shares}}$
Shareholders equity per share, EUR	$\dfrac{\text{Shareholders equity}}{\text{Share issue-adjusted number of shares on the date of the financial statement}}$
Dividend / Share, EUR	$\dfrac{\text{Dividend paid for financial year}}{\text{Share issue-adjusted number of shares on the date of the financial statement}}$
Dividend per earnings, %	$100 \times \dfrac{\text{Dividend per share}}{\text{Earnings per share}}$
Effective dividend yield, %	$100 \times \dfrac{\text{Dividend per share}}{\text{Share issue-adjusted average value on the date of the financial statement}}$
Price per earnings (P/E)	$\dfrac{\text{Share issue-adjusted average value on the date of the financial statement}}{\text{Earnings per share}}$
Market value of shares	Number of shares at the end of the financial year x the last trading price of the financial year

Shares and Shareholders

Shares and share capital

PKC Group Oyj has only one series of shares and each share is entitled to one vote in the shareholders' meeting. The company's shares are listed in a book-entry securities system maintained by the Finnish Central Securities Depository. In order to be entitled to participate in the shareholders' meeting and to vote, the shareholder must be listed in the shareholders' register maintained by the Central Securities Depository.

According to a resolution of the Annual General Meeting on 19 March 2001, the company's share capital was converted to euros, the range within which the share capital can be raised or lowered was increased and the nominal value of the shares was abandoned. According to the Articles of Association, the minimum share capital is EUR 1,000,000 and the maximum share capital EUR 5,000,000, within which limits the share capital can be raised or lowered without amending the Articles of Association. According to the Articles of Association, the minimum number of shares is 5,000,000 and the maximum number 20,000,000. At the end of the financial year the company's share capital entered in the Trade Register was EUR 1,744,382.62 and the company had 5,275,000 shares outstanding with an accounting countervalue of EUR 0.34.

The share capital has remained unchanged in amount since the company's listing in spring 1997.

Authorisations to the board of directors

The Board does not have any unused authorisations from the shareholders' meeting to raise the company's share capital through share issues or through other share-related instruments.

Market value and trading of shares

The exchange code of PKC Group Oyj's share series on the Helsinki Exchanges' Main List is PKC 1V. (Reuters code PKC1V.HE, Bloomberg code PKC1V.FH).

During the financial year 2001, a total of 1,255,834 shares were traded, equalling 23.81 per cent of the entire share capital. The share price ranged from EUR 4.01 to EUR 11.49 during the financial year. The last trading price of the year was EUR 5.8. The market capitalisation value of the company's share capital on 31 December 2001 was EUR 30.6 million. The market capitalisation value has been calculated by multiplying PKC's entire share amount by the last trading price of the year 2001.

The share-specific indicators and trading information are displayed together with the other key ratios on page 32-33.

Stock option schemes initiated in 1998 and 2000

PKC Group has two stock option schemes aiming to strengthen the commitment of the company's personnel and key employees and to encourage them to long term work in order to increase the company's shareholder value.

The bond loan issued in 1998 by PKC Group Oyj consisted of warrants to the personnel, entitling them to a gradual subscription of company shares between the years 2001-2004. The subscription perdiod for Option Warrant A commenced on 1 April 2001. The subscription price of a share acquired through the warrants is EUR 20.5, decreased by the amount of dividends distributed prior to the subscription of shares and after 1 May 1998 (the subscription price at the end of the financial year was EUR 19.60). At the close of the financial year, option rights were not exercised to subscribe for shares because the subscription price of the shares, which can be subscribed for with the option warrants, is higher than the present market price. The exercise of option rights and the subsequent changes in the share capital will thus not take place for the time being. As a consequence of subscriptions, the share capital can increase by a maximum of 400,000 new shares. At the end of the financial year the members of the company's Board of Directors and the Corporate Management Team held a total of 65,250 warrants. There were 61,250 undistributed option warrants, of which 7,000 were reserved for the non-executive members of the company's Board of Directors.

The subscription period for the shares under the bond loan directed at the company's key employees in 2000 is from 2003 to 2006 and the arrangement consists of rights to subscribe for a total of 125,000 shares. The subscription price of a share is EUR 25, decreased by the amount of dividends distributed prior to the subscription of shares. At the end of the financial year the members of the company's Board of Directors and Corporate Management Team held 39,000 Option Warrants for the year 2000, and the company had in its possession 10,000 undistributed warrants and 14,000 warrants remain unsubscribed.

Taxation value of the shares

For purposes of Finnish taxation for the year 2001, the taxation value of PKC Group shares is EUR 3.92.

Shareholders

At the end of the financial year PKC Group had 4,207 registered shareholders. The breakdown of shareholders is shown in greater detail on page 33. The shareholdings of the members of the Board of Directors are presented on page 37. The members of the Corporate Management Team do not own significant amounts of the company's shares.

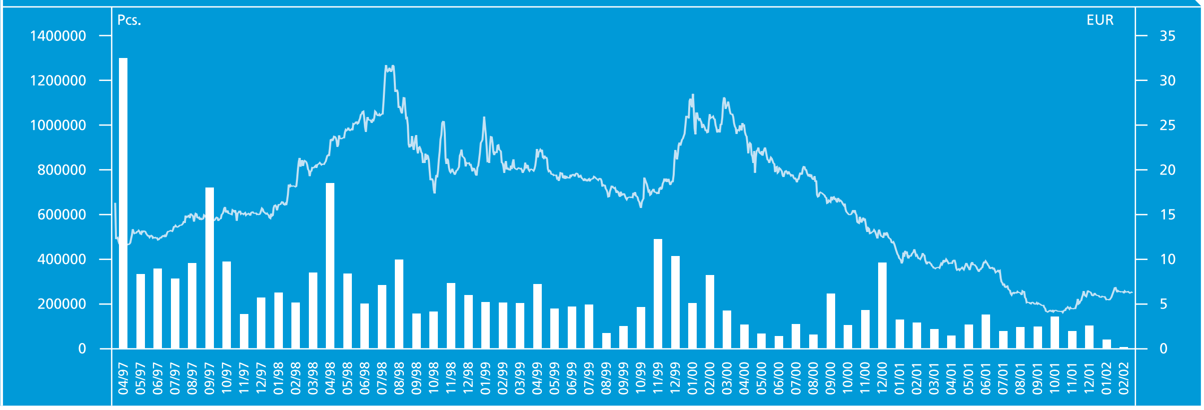
Investor relations

The annual reports, interim reports and stock exchange bulletins will be published in Finnish and English on the company's website at www.pkcgroup.com. Since interim reports will no longer be issued in printed form, the annual reports and interim reports are available on the company's website in pdf form.

MAJOR SHAREHOLDERS ON 5 FEBRUARY 2002

		NUMBER OF SHARES	PERCENTAGE OF SHARES AND VOTES
1	As Harju Elekter Ltd	527 600	10.0
2	Ravaska Veikko	281 400	5.3
3	Hakalax Tom	221 400	4.2
4	Ojala Leo	184 700	3.5
5	The Local Government Pensions Institution of Finland	175 000	3.3
6	Saukkonen Timo	146 350	2.8
7	Eestilä Matti	107 100	2.1
8	Federation of Finnish Metal MET	105 300	2.0
9	Finnish National Fund for Research and Development, Sitra	99 300	1.9
10	Luostarinen Risto	78 300	1.5
11	Mutual Insurance Company Pension-Fennia	65 000	1.2
12	Suomi Insurance Company	64 300	1.2
13	Investment Fund Alfred Berg Finland	64 000	1.2
14	Investment Fund Alfred Berg Portfolio	63 200	1.2
15	Suutari Harri	62 600	1.2
16	Investment Fund Alfred Berg Small Cap	60 300	1.1
17	Rahkamaa Hannu	55 550	1.1
18	Investment Fund Alfred Berg Optimal	51 150	1.0
19	Investment Fund Coventum Finland Value	50 000	1.0
20	Metsä-Simola Olli	46 700	0.9
Total		2 509 250	47.7
Others		2 765 750	52.3
Total		5 275 000	100.00

SHARE PRICE 3.4.1997 - 5.2.2002 AND MONTHLY TRADING VOLUME



SHAREHOLDER CATEGORIES ON 5 FEBRUARY 2002

	PERCENTAGE OF SHARES, %	PERCENTAGE OF VOTES, %
Domestic companies	9.51	9.51
Financial institutions and insurance companies	9.92	9.92
Non-corporate public sector	10.00	10.00
Non-profit organisations	6.05	6.05
Households and private investors	53.51	53.51
Foreign investors (including administrative register)	11.01	11.01
Total	100.0	100.0

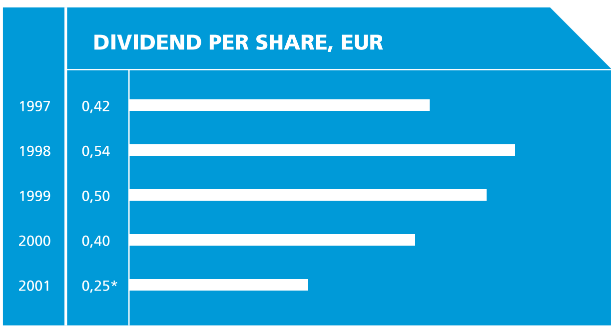
SHARES OF STOCK HELD BY THE BOARD AND MANAGEMENT ON 5 FEBRUARY 2002

	MANAGEMENT TEAM	BOARD* OF DIRECTION
Number of shares	471 160	1 246 600
Proportion of shares, %	8.93	23.63
Proportion of votes	8.93	23.63
Equity warrants of the 1998 bond loan	52 250	13 000
Equity warrants of the 2000 bond loan	39 000	

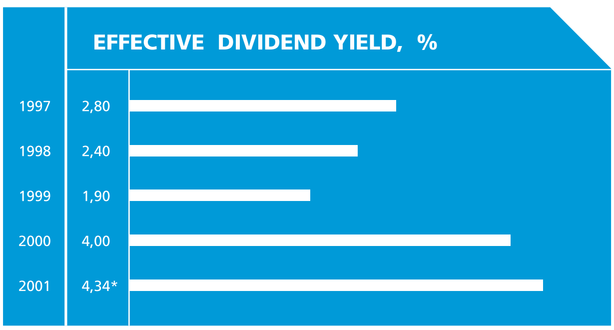
*shares owned or represented by Board members

BREAKDOWN OF SHARE OWNERSHIP ON 5 FEBRUARY 2002

NUMBER OF SHARES	AMOUNT OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS, %	TOTAL NUMBER OF SHARES	PERCENTAGE OF VOTES, %
1 - 100	1 545	36.76	128 884	2.44
101 - 500	1 792	42.64	498 746	9.45
501 –1,000	415	9.87	338 070	6.41
1,001 – 10,000	398	9.47	1 053 060	19.96
10,001 – 100,000	45	1.07	1 507 660	28.58
100,001	8	0.19	1 748 850	33.15
Total	4 203	100.00	5 275 000	100.00



* Figures for the year 2001 are based on Board's proposal



* Figures for the year 2001 are based on Board's proposal

As distinct from other Financial Statement information, the information on shareholding and share trading on these pages (32-33) are shown until 5 February 2002.

The Board's Proposal for Profit Distribution

The Group's consolidated non-restricted capital is EUR 24 345 139, of which distributable funds total EUR 24 290 384.

The Board of Directors proposes to the General Meeting of Shareholders that from the parent company's non-restricted equity of EUR 24 555 470, a dividend of EUR 0.25 per share be paid to shareholders (a total of EUR 1 318 750), and that the remaining EUR 23 236 720 be transferred to the retained earnings account.

Kempele 5 February 2002

Jyrki Tähtinen
Chairman of the Board

Tom Hakalax
Board member

Leo Ojala
Board member

Endel Palla
Board member

Veikko Ravaska
Board member

Risto Suonio
Board member

Auditor's Report

To the shareholders of PKC Group Oyj

We have audited the accounts, the financial statements and the corporate governance of PKC Group Oyj for the period 1 January 2001 – 31 December 2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit, we submit our opinion on these accounts and on the company's administration.

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

In our opinion, the accounts have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of accounts in Finland. The accounts give a fair and true view, as defined in the Accounting Act, of both the consolidated and the parent company's operations and financial position. The accounts together with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be absolved from liability for the period audited by us. The proposal made by the Board of Directors regarding the distribution of retained earnings is in compliance with the Finnish Companies Act.

Oulu, 6 February 2002

Tilintarkastajien Oy – Ernst & Young
Authorised Public Accounting Firm

Rauno Sipilä
Authorised Public Accountant

Risk Management

As part of an internationally-operating business network, PKC is inevitably exposed to a number of risks.

Market conditions

PKC's operations depend to a significant extent on the development of businesses of a (relatively) small number of internationally-operating customers. To reduce this risk, PKC is seeking to expand its customer base within its current areas of business. During the last financial year, some progress was made in this respect. Our estimate is that the long-term business risk associated with current customers is comparatively small.

In the company's view, there is at present no direct danger of losing key customers. The process of centralisation in the electronics contract manufacturing industry will continue, and this may effect on the structure of PKC's customer base.

In its role as a subcontractor to the vehicle industry, PKC is continually faced by downwards pressure on our prices. To counter this, we rationalise production, seek out new and more flexible ways of working, make materials suppliers compete harder for our business, and move production to locations where labour costs are lower.

Purchasing

The most important single raw material from the standpoint of risks is copper. In the current year, even though the world market price for copper may rise along with a possible recovery in the economy, the effect of this on the company's overall earnings is likely to be marginal.

In recent years, the availability of electronics components has been subject to considerable fluctuation. The outlook for 2002 in this connection is stable, and the company's current view is that a component shortage is unlikely.

Personnel

The company's growth came to a halt during the past financial year. In both quantitative and qualitative terms, the current levels of personnel are adequate. No significant risks are foreseen in this context. In PKC's personnel strategy, the primary areas of focus are competence, commitment, job satisfaction and continuous learning.

Information systems

Operational control, optimisation and supervision are carried out using information systems. Solutions that guarantee data security have been installed. Electronic links between customers and the production network are handled via international operators.

Financial

PKC does not finance its customers otherwise than by granting customary payment periods. Approximately 60 per cent of the company's liabilities are short-term. The cost of borrowed capital is not expected to change to a significant extent during the current year.

The majority of our invoice and purchase transactions are conducted in euros. Since approximately 20 per cent of PKC's purchasing is carried out in US dollars and Swedish krona, movement in the exchange rates for these currencies can affect the company's result. As some ten per cent of the production of vehicle wiring harnesses takes place in Brazil, changes in the value of the Brazilian real will have a significant impact on the company's earnings.

PKC endeavours to reduce exchangerate risks by including specific foreign-exchange clauses in both purchase and sales agreements.

Legal

The management of legal matters is partly divided functionally (e.g. labour related matters to human resources department and insurance matters to financial department).

In order to manage contractual risks the drafting, signing and filing of contracts are regulated by internal instructions. Significant contracts are reviewed by company´s lawyer, who is also responsible for corporate matters.

There are no pending litigation, arbitration, tax or other administrative process against the company nor, to the best of company's knowledge, are its operations threatened by processes of the above mentioned kind.

Corporate Governance

PKC Group Oyj's Corporate Governance complies with the recommendations issued by the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers concerning the administration of public companies. The company has introduced the Insider Guidelines prepared by HEX Helsinki Exchanges, the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers into its operations.

Annual General Meeting

The company's highest power of decision is vested in the Annual General Meeting, which is normally held once a year. Each shareholder is entitled to participate in the Annual General Meeting and to exercise the right to speak and to vote, with each share carrying one vote. The Annual General meeting is held, upon completion of the financial statements, on the day specified by the Board of Directors, no later than by the end of June each year. In 2001, the Annual General Meeting was held as usual in March.

The Board of Directors and the President

The Board of Directors is responsible for the company's administration and the due organisation of operations. The Board is also responsible for the duties appointed to it in the Companies Act and in the Articles of Association. The main duties of the Board of Directors include confirming the company's strategy and the budget for the individual functions, as well as deciding on financing agreements and the purchase and sale of major asset items. The Board monitors the company's financial performance by means of monthly reports prepared by management and other information supplied by management. The Board meets 8-10 times a year and whenever necessary. In 2001 the Board of Directors met 9 times.

The Annual General Meeting elects 3-7 members to the Board of Directors for a term ending at the next Annual General Meeting. The Board members do not have set resignation turns because the company aims to ensure the long-term contribution of its Board members. The Board of Directors elects from amongst its members a chairman who according to the Articles of Association cannot be the company's president. The duties and responsibility of the members and the chairman are not designated specifically. The members of the Board of Directors, who are presented on page 37, represent expertise from both outside and inside the company as well as the viewpoint of shareholders.

The Board of Directors appoints the company's President and defines his terms and conditions of employment in writing. The President's duties include operational management, informing the Board, presenting of matters over which the Board has the power of decision, implementing the decisions of the Board, ensuring the legality of business operations, as well as investor relations. The company's President since 23 November 2000 has been Tom Hakalax. After the end of the financial year, Harri Suutari has been appointed as the company's executive vice president and the chief executive's deputy as from 1 January 2002, and as from on 13 March 2002 he will take over as President. Profiles of both officers are given on page 37.

Organisation of operations

PKC Group has a Corporate Management Team whose task is to deal with matters of essential importance for the company's operations and to communicate information between the different functions. The Corporate Management Team meets at least once a month and the President acts as its Chairman. The Corporate Management Team consist of the Directors of different functions, who are appointed by the President, and of employee representative. The members of the Corporate Management Team and their areas of responsibility are presented on page 38-39 of the Annual Report. The company's directors and managers are responsible, to the extent agreed, for supervising and directing the functions within their area of responsibility, and they report regularly to the Corporate Management Team and to the President.

In respect of operational reporting, PKC's operations are divided into Wiring Harnesses and Electronics business areas. Business Area Teams meet at least once a month and they consist of key account managers involved with sales, production and financial administration.

In addition to the parent company, the Group comprises the foreign subsidiaries PK Cables do Brasil Indùstria e Comèrcio Ltda and the parent company of the Dutch subgroup PK Cables Nederland B.V., as well as the Finnish subsidiary Engi Oy. The Presidents and Boards of Directors of the subsidiaries decide on operational policy lines and strategies within the framework approved by PKC's Board of Directors. The Boards of Directors of the subsidiaries consist mainly of representatives of PKC's management and the management of the subsidiary in question.

Salaries and remuneration

The President's salary and other benefits are confirmed by the Board of Directors. The salaries and benefits of other directors are decided by the President in accordance with the general principles approved by the Board. The Board's meeting fees are confirmed by the Annual General Meeting. In 2001 the chairman of the Board of Directors was paid EUR 1346/meeting and other board members were paid EUR 841/meeting. Meeting fees are not paid to executive members of the Board or to members of the Corporate Management Team. During 2001 the Board members and the President were paid salaries and other compensation totalling EUR 156,085.

The company's President, Tom Hakalax, the chief financial officer, Leo Ojala, and a few other executives are entitled to early retirement at the age of 58. These insurance premiums, which also include premiums for the pension agreements of employees who have already left the company, amounted to a total of EUR 147927.18 during the financial year. The amount of pension premiums will diminish in coming years. In accordance with a decision by the Board of Directors, new voluntary pension insurance policies will not be taken out in the future.

Each year the Board of Directors confirms a possible bonus which is paid to the company's management as well as a bonus for the entire personnel. In 2001 no bonuses were paid to management or the employees.

The Board members and Corporate Management Team hold a total of 104250 option warrants.The executive members of the Board do not hold options. The company's stock option arrangements are presented in greater detail on page 31 and the option warrants of the members of the Board of Directors on page 37.

The company does not pay the members of the Board of Directors, the president or other management bonuses on any other basis, nor does it grant them loans or give guarantees on their behalf.

Insider issues

The company observes the Insider Guidelines that are confirmed by the Board of Directors. The company's statutory insiders include the President, executive vice president, the members of the Board of Directors and the auditor. Company's specified insiders include the members of the Corporate Management Team and employees whose duties entail the regular handling of unpublished information that may affect the value of the company's share.

Supervision

The Board of Directors is responsible for internal supervision, whereas the President is responsible for the practical arrangements of supervision. The President presents to Board meetings a review on the Group's development based on the monthly business development reports which are presented to the Corporate Management Team.

The company's audit is carried out by the Authorised Public Accounting Firm Tilintarkastajien Oy – Ernst & Young, with Rauno Sipilä, Authorised Public Accountant, acting as responsible auditor. In defining the extent and content of the audit, it is taken into account that the company does not have its own internal audit organisation.

Board of Directors 28 December 2001






1	2	3
4	5	6

1. Jyrki Tähtinen (b. 1961)
Chairman of the Board of Directors from November 2000
Attorney at Law
Borenius & Kemppinen, Attorneys at Law
Option to subscribe for 4000 PKC shares
Member of the Board of Directors from 1999

2. Risto Suonio (b. 1942)
Vice-Chairman of the Board of Directors
Engineer
Director, Nokia Oyj until 1 January 2001
Option to subscribe for 4000 PKC shares
Member of the Board of Directors from 1994

3. Endel Palla (b. 1941)
Engineer
Chairman of the Advisory Board, As Harju Elekter Ltd.
30 500 PKC shares
Represents 527 600 PKC shares owned by As Harju Elekter Ltd
Option to subscribe for 4000 PKC shares
Member of the Board of Directors from 1994

4. Tom Hakalax (b. 1946)
President and CEO of PKC Group Oyj
Engineer, Commercial College Graduate
Founding member of PKC Group Oyj
221 400 PKC shares
Member of the Board of Directors from 1994

5. Veikko Ravaska (b. 1951)
Engineer
Founding member of PKC Group Oyj, previously PKC`s Logistics Director
281 400 PKC shares
Option to subscribe for 1 000 PKC shares
Member of the Board of Directors from 1995

6. Leo Ojala (b. 1950)
Commercial College Graduate
CFO, PKC Group Oyj
Founding member of PKC Group Oyj
184 700 PKC shares
Member of the Board of Directors in 1994 and from 1997

Harri Suutari (b. 1959)
Engineer
Vice President of PKC Group Oyj from 1 January 2002
President and CEO of PKC Group Oyj from 13. March 2002
60 300 PKC shares
Member of the Management Team from 1 January 2002

Corporate Management Team 28 December 2001






1	2	3
4	5	6

President & CEO

Tom Hakalax (b. 1946)
Engineer, Commercial College Graduate
President and CEO of PKC Group Oyj from 23 November 2000
Founding member of the company in 1994
President and
CEO until 31 May 1998
Chairman of the Board of Directors
1 June 1998 – 23 November 2000
With the company from 1971

Marketing and Sales

Martti Särkelä (b. 1953)
M.Sc.(Tech), eMBA
Marketing Director from 1 January 2001
With the company from 1999

Finance

Leo Ojala (b. 1950)
Commercial College Graduate
CFO from 1996
Founding member of the company in 1994
With the company from 1973

Business Development

Mika Kari (b. 1969)
M.Sc.(Tech)
Business Development Director from 1 January 2001
With the company from 1996

Technology

Sakari Kauppinen (b. 1949)
D.Sc.(Tech)
Technology Director from 1 September 1999

Personnel

Matti Niemelä (b.1960)
B.Sc.(Admin)
Personnel Director from 1 January 2001
With the company from 2000






7	8	9
10	11	12

Logistics
Ville Jaakkola (b. 1964)
M.Sc.(Tech)
Logistics Director from 1 November 1999

Personnel representative
Leevi Hietala (b.1940)
PKC Group Oyj's principal trusted representative
With the company from 1970

Production, Quality and Subcontracting
Veijo Simonen (b. 1952)
Engineer
Operational Director
from 19 October 2001
With the company from 1999

The Netherlands
Gijs van den Bergh (s.1947)
M.Sc.(Econ), B.Sc.(BA)
President from 16 September 1999

Electronics factory
Eero Veijola (b. 1959)
L.Sc.(Tech)
Local executive from 19 October 2001
With the company from 2000

Brazil
Waldery Costa e Silva (b. 1961)
Engineer
President
With the company from 1997

Contacts

Finland

PKC GROUP OYJ

Head office and wiring harness factory
Visiting address:
Vihikari 10
FIN-90440 KEMPELE

Postal address:
P.O.Box 174
FIN-90401 OULU
Tel. +358 20 1752 111
Fax +358 20 1752 211

Electronics factory
Pajuniityntie 43
FIN-92120 RAAHE
Tel. +358 8 2103 111
Fax +358 8 2103 201

Engi Oy
Visiting address:
Vihikari 10
FIN-90440 KEMPELE

Postal address:
P.O.Box 174
FIN-90401 OULU
Tel. +358 20 1752 700
Fax +358 20 1752 701

Brazil

PK Cables do Brasil Industria e Comercio Ltda.
Rua Estrada da Graciosa, 803 - Bairro Atuba
Curitiba - Parana - Brazil
CEP 82840-360
Tel. +55 41 367 9778
Fax +55 41 367 6067

The Netherlands

PK Cables Nederland B.V.
Visiting address:
Zomerdijkweg 5
5145 PK Waalwijk

Postal address:
P.O.Box 10001
5140 DA Waalwijk
The Netherlands
Tel. +31 416 568 111
Fax +31 416 568 110

PKC Group Oyj P.O. Box 174 FIN-90401 Oulu

www.pkcgroup.com