



Annual Report 2002

PIC

PIC Engineering Oyj



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Financial information

During financial year 2003, the Group will draw up to two interim reports published on the Internet pages of PIC at www.picengineering.com in June (January - April 2003) and in October (May - August 2003).

Innovative expert partner

PIC is a major consulting and engineering company operating mainly in Europe. The company provides consulting, engineering and project management services for industrial customers in R&D, investment projects and production.

Mission

The objective of PIC is to improve the competitiveness of its clients and to provide them with added value through innovative expertise, efficiency and customer-focused service. Confidence and long-term co-operation constitute the cornerstones of our operations.

Strategy

We focus on selected industrial customer segments, and develop and supply expert services based on our core competencies. In client co-operation and business processes, we emphasise customer-focused service, technical and co-operation skills as well as resource management.

In the development of our services, particular emphasis is placed on technical know-how, information technology, operational processes and project management. We develop our business network in co-operation with our clients and partners.

We ensure efficient and flexible operations by developing and utilising the expertise possessed by our personnel, the best available working methods and information technology. The key areas in the development of personnel and working community are challenging assignments, continuous learning, team work and an encouraging compensation system.

We aim at constant and profitable growth through expanding services to our key accounts, through extending our international operations in co-operation with local partners, and through developing new business areas. It is our strategic goal to achieve a turnover of EUR 100 million in 2005, of which international operations will

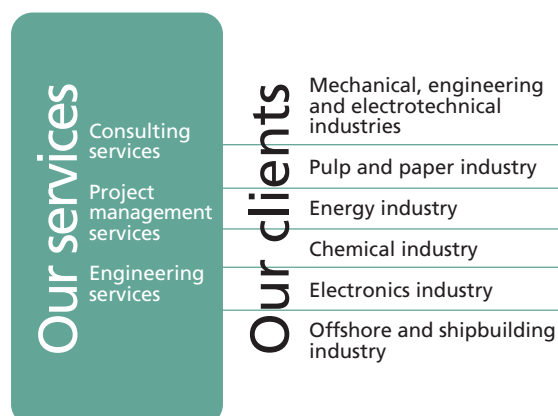
account for 30 per cent. The objective with profitability is an operating profit level of 10 per cent.

Visions

Expert partner providing added value
One of the leading engineering consultancy companies in Europe in the selected customer segments
Forerunner in its field in the application of information technology
Flexible, customer-oriented expertise and resource networks
Motivated personnel and inspiring atmosphere
Profitable growth and good return on investment

Core values

Customer satisfaction
Expertise and development
Respect for the individual
Atmosphere inspiring co-operation
Profitability



Year 2002 in a nutshell

Simplified Group structure

- The largest subsidiary of the Group, Projekti-insinöörit Oy, was merged into PI-Consulting Oyj, the parent company of the Group, on 31 December 2002. The new registered name of the company is PIC Engineering Oyj.

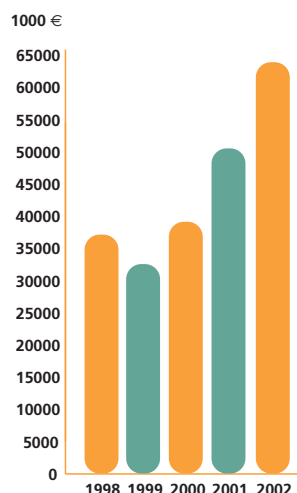
Growth, expertise and international expansion

- All the shares of the Swedish company PIC Engineering AB were acquired by PIC. In line with this acquisition, more than 100 engineering professionals were transferred to PIC's service.
- Technip-Coflexip and Nokia became the Group's biggest clients.
- Co-operation agreement with the Brazilian company JP Brasil. The agreement covers consulting, engineering, project management, construction and maintenance services required by the pulp and paper industry in South America.
- PIC Academy launched its first pilot course, Project Manager training.

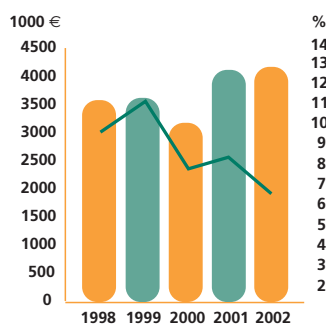
Intensified operations

- The operating models are intensified by developing the key processes.
- More advanced, tailored IT solutions introduced in business management, customer co-operation and project work; for instance personified project control portals.

Turnover



Operating profit



Key figures

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|--------|--------|--------|--------|--------|
| Turnover, 1000 € | 37,283 | 32,733 | 39,286 | 50,875 | 63,987 |
| Operating profit, 1000 € | 3,583 | 3,622 | 3,082 | 4,100 | 4,162 |
| Operating profit, % | 9.6 | 11.1 | 7.8 | 8.1 | 6.5 |
| Profit before extraordinary items, reserves and taxes 1000 € | 3,173 | 2,824 | 2,669 | 3,750 | 3,879 |
| Profit before extraordinary items, reserves and taxes, % | 8.5 | 8.6 | 6.8 | 7.4 | 6.0 |
| Return on investment, % | 35.4 | 39.4 | 31.2 | 34.3 | 31.0 |
| Return on equity, % | 85.9 | 50.2 | 35.5 | 39.9 | 27.9 |
| Equity ratio, % | 23.1 | 36.2 | 31.1 | 34.8 | 31.7 |
| Current ratio | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 |
| Investments in fixed assets, million € | 0.9 | 0.7 | 1.1 | 1.6 | 0.6 |
| Investments in fixed assets, % | 2.5 | 2.0 | 2.8 | 3.2 | 0.9 |
| Order backlog, million € | 10.1 | 10.7 | 21.8 | 19.1 | 22.1 |
| Personnel, average | 594 | 594 | 648 | 718 | 833 |



President's review

PIC's rapid growth continued in 2002, but all of the profitability objectives were not reached. Turnover grew by 26 per cent, half of which came through acquisitions. However, operating profit remained at the 2001 level. Profitability was reduced by uneven capacity utilisation and costs relating to the acquisitions as well as by the poor profit level of the acquired companies before the impact of development measures.

The market situation declined at the end of 2001, and the situation did not improve during the latter half of 2002 as was expected. The volumes of industrial investments, production and R&D input, which influence the demand for engineering services, were below the corresponding levels for 2001.

PIC strengthened its market position during the period under review. The volume of orders received (excluding the acquisitions) grew by 9 per cent on 2001. The increase in sales was influenced by the significant engineering assignment received by the Process Industry Division, concerning a pulp mill to be built in Germany, as well as the extensive oil drilling platform and ship engineering assignments obtained by the Marine Technology Division.

The financial result of the Marine Technology Division was very good, and the profit shown by the Product and Manufacturing Division was also good considering the rapid decline in the demand for engineering services in this industry after the summer. On the other hand, the Process Industry Division and Electronics Division were clearly behind their profitability objectives partly due to declining demand and partly due to poor capacity and project cost control.

Input in growth and internationalisation continued in 2002. All the shares of the Swedish company PIC Engineering AB were acquired by PIC. Co-operation within PI-Network, the international sales and marketing network, strengthened in

line with the pulp mill engineering assignment received from Germany. An agreement was signed with a Brazilian engineering company covering co-operation in the South American market. The Electronics Division had a breakthrough in the Far East. In Eastern Europe, we received orders from projects funded by the European Union, and in Russia from investment projects.

PIC's position both in Finland and in the main market areas in Europe has become more stable. We are even better prepared to offer extensive special expertise and also a global service both to Finnish exporting clients and foreign clients.

Profitable growth continues to be PIC's main objective. Measures aiming at improved profitability will especially concern capacity management, cost control of large projects, and integration of the acquired companies into PIC. Providing the clients with added value is the cornerstone of growth. Growth is also needed in order to maintain personnel development and renewal. Investment input in 2003 will continue to be allocated to expertise and service enhancement and to international expansion.

The market outlook for 2003 is uncertain at present – there are high expectations of growth, but clear signs of increased market activity are yet to be seen. This situation calls for quick response from us when the market situation changes.

The year 2002 was one of challenges for PIC. It contained both the joy of growth and the agony of operational readjustment. I wish to thank all our employees for their flexibility and excellent input. My thanks also go to our clients and partners for their confidence and co-operation.

Lauri Hintikka
President

*Markku Salin (on the right),
Leena Tuominen and
Sami Vartiainen*



Personnel

Number of personnel grew, turnover rate decreased

PIC's number of personnel grew by 15 per cent in 2002. Most of this growth came from the acquisition of PIC Engineering AB. The number of technology students at PIC also increased during the period. At the end of the year, the Group had 875 permanent employees (764 at the end of 2001).

The average age of permanent employees in the Group was 41 years (40 in 2001). More than one quarter, 28 per cent, of the personnel were over 50 years of age. The proportion of those under the age of 30 increased to 18 per cent (16.5 per cent).

The average service period of personnel is 8.8 years, and the personnel possess an average experience of 17 years in the industry.

The turnover rate of personnel, 4.6 per cent, continued to decrease on the previous years.

To a career path through appraisal interviews

Personnel development and training integrate both the individual and organisational needs for continuous learning. Learning primarily takes place on the job and in various projects and assignments. PIC supports the development of its employees' skills and knowledge by offering numerous and versatile learning opportunities in professional expertise, information technology, foreign languages and interaction skills. The company also supports and encourages its employees in their own further education plans. A bonus system was introduced in 2002 for voluntary training aiming at a degree. The amount of the bonus is based on the scope of studies taken.

The team work programme continued according to plan in 2002. The teams drew up their own operating and development plans for 2003; the objective of this is to give additional influence and shift development responsibility to the persons who actually carry out the work. This objective has been achieved fairly well.

PIC's own training system, PIC Academy, together with the related career path model were introduced in the autumn of 2001. PIC Academy co-ordinates training and development efforts. Career paths, in turn, are used to support the personal appraisal interviews and recruitment.

PIC Academy's first pilot programme, Project Manager training, was launched in the spring of 2002, and another training group also started during 2002. Feedback gained from the training which has lasted almost one year has been excellent.

The personnel development measures are based on personal appraisal interviews where the key targets and personal learning plans are agreed upon, supporting the constant development of personnel. The objective is that the appraisal interview is conducted at least once a year with all employees. In this way, it can be ensured that information is conveyed in each direction within the organisation. In 2002, the appraisal interviews were carried out with a coverage of 96 per cent. Appraisal interview training for the heads of teams and project managers continued in the same manner as in the previous year.

To support individual performance, PIC's Intranet and Extranet pages, personnel newsletters as well as information sessions and team meetings of the various divisions offer much information on the operations of the Group and its divisions.

Aiming at atmosphere inspiring co-operation

In 2002, most of the personnel of the Group replied to a web-based questionnaire examining issues such as working atmosphere, working conditions and work of supervisors. Internal flow of information was also examined. The results of the survey have been discussed at various organisational levels, and action plans have been drawn up on the basis of the results. There will be particular emphasis on the development of working atmosphere, performance of supervisors and internal communications, both at the Group level and within the business units.

Focus on job welfare

The company supports the personnel's physical exercise and leisure time activities and encourages independent physical exercise by arranging introductory sessions into sports.

Regular health examinations are arranged for all those above the age of 30 at intervals of 5 years and for those above the age of 50 every 3 years. In addition to a medical examination, these examinations also include the definition of working ability index and a voluntary measurement of physical performance, covering BMI (body mass index), muscle performance test and oxygen intake. In the definition of working ability index developed by the Finnish Institute of Occupational Health, the participating persons assess themselves as to how well they can cope now and in the near future in their work, taking into account the requirements of the relevant work. The average of the working ability index was 40.5 (scale 7 – 49).

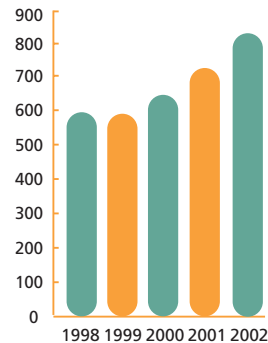
Absence rate on account of illness has remained at a level of approx. 2 per cent. Problems with support and locomotory organs caused more absences than other reasons. The goal is to reduce and prevent these medical problems through measures such as inspecting the ergonomics of working facilities. Related improvements have been carried out by paying attention to individual needs and as instructed by an occupational physiotherapist.

Three employees reached retirement age and one person went on individual early retirement. At the end of the year, 12 people were on semi-retirement.

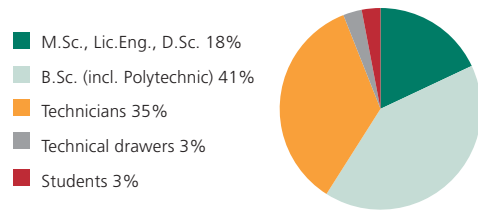
Further development of incentive bonus

The Group applies company-specific incentive bonus systems covering the entire personnel. The systems are assessed and improved annually. The incentive bonus is based on financial and operational results.

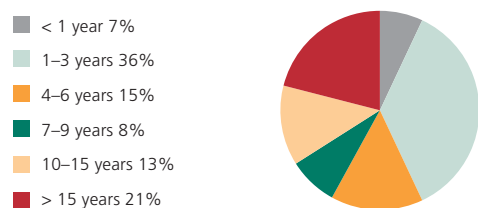
Personnel, average



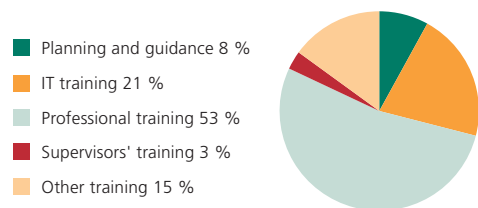
Training distribution, technical personnel



Distribution of service period



Distribution of training costs





*Raimo Pehrsson (on the right),
Riitta Seppälä, Pekka Kovanto and
Jarmo Eulenberger*

Development management

Extensive development

In 2002, PIC's business and other operations were developed in a versatile manner when measured both by the number of development projects and financial input. In all Group companies, development efforts concerned the enhancement of expertise of personnel (described in more detail under Personnel, pages 6 to 7), operational efficiency, IT application technologies, corporate image, and co-operation within the Group.

In order to elevate business efficiency, we launched a re-engineering project covering our operating processes, preliminarily referred to as "ProMod". We have chosen four processes as our key processes: Client Relation Management, Service Execution, Resource Capability Management, and Business Management. By working in adherence to these processes and by carrying out our duties in a determined manner, we will ensure customer satisfaction and efficient operation.

In information management, we focused especially on the further development of portal and information systems based on browser-based technologies, maintenance data systems, and network solutions relating to customer operations and internal operations. PIC Engineering commenced a switchover to the Windows2000 environment. The goal is to launch the new environment entirely during 2003.

Group co-operation was boosted in terms of personnel planning, information technology and sales.

The implementation of a long-term development project aiming at improved corporate image began in 2002. This project will pay attention both to enhanced service process and communications and to a renewed visual appearance.

Good customer satisfaction

Corrective action defined on the basis of client feedback results constitutes the cornerstone for operational development. In this way, we aim to allocate our training and development input so that our clients' expectations and requirements are fulfilled ideally. In partnerships, shared development programmes conforming to the objectives are drawn up with each client.

PIC Engineering developed its client feedback process by introducing a browser-based numerical/verbal feedback system to facilitate feedback processing. Customer loyalty and satisfaction are good, and the qualitative average of client feedback improved in 2002.

Growth in total investments

In 2002, we invested EUR 1.24 million in the expertise of our personnel and EUR 2.31 million in business development. Information technology investments (software, data-communications, workstations, printers, servers) totalled EUR 1.37 million. Furnishing of new facilities and improving the working environment were allocated EUR 0.23 million. Our total investments in 2002 were somewhat higher than in 2001.

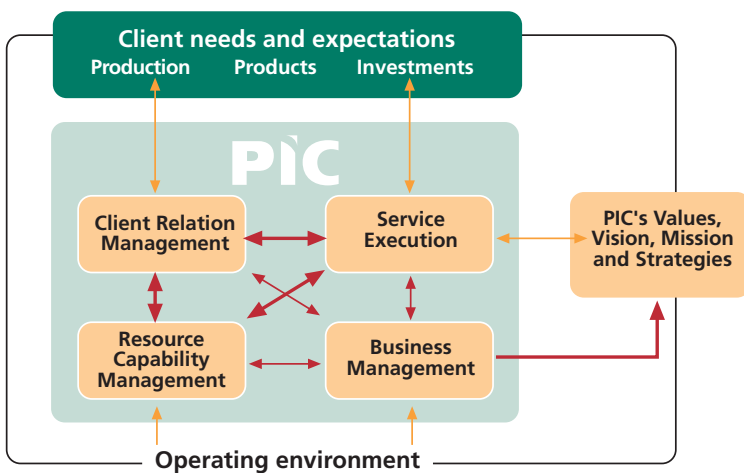
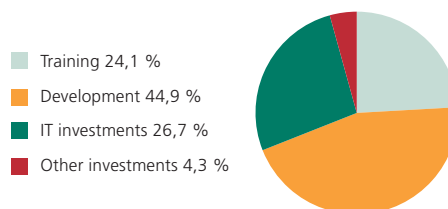
Business control to be improved

We will continue the specification of a Group-level training and development environment by further developing the PIC Academy concept. The objective is to use training programmes focusing on engineering for ensuring optimum learning results with the right contents.

In development projects, we will continue to advance national and international client co-operation, intensify and specify business control (Corporate Governance and business processes), enhance ICT systems and solutions as well as update and develop software usage skills.

The budgeted total investments for 2003 will be smaller than in 2002, and the investments are more focused.

Break-down of investments



Celulosa Arauco Y Constitución A.S. is building a new pulp mill in Valdivia in Chile. PIC is rendering piping, equipment and canal engineering services for Kvaerner Pulping's plant delivery, and piping engineering services included in Metso's plant delivery.



Customers

- Pulp, paper and board industries
- Chemical industry
- Energy production
- Plant suppliers

Business units

- PIC Engineering Oyj, Process Industry (Finland: Vantaa, Lahti, Lappeenranta, Tampere, Pori, Oulu)
- PIC Engineering AB (Sweden: Karlstad, Gothenburg)
- PIC Estonia Ltd (Estonia: Tallinn)

Products and services

- Project planning
- Feasibility calculations
- Preliminary, basic and detail engineering
- Efficiency analyses
- Document management
- Project management

| | 2002 | 2001 | change |
|---|------|------|--------|
| Turnover, million € | 23.3 | 18.8 | 24 % |
| Proportion of the turnover of the Group | 37 % | 37 % | |
| Personnel 31 Dec | 353 | 297 | 19 % |

Process Industry

The Process Industry Division develops and supplies engineering, consulting and project management services required in investments and production process development. The main customers comprise enterprises engaged in the pulp, paper, chemical and energy industries as well as related plant suppliers both in Finland and other countries.

The objective of the division is to evolve into a leading provider of engineering services for the process industries by networking in Europe with dynamic local engineering consultants which share the same approach.

Stiff market situation

In 2002, the small volume of investments by the pulp and paper industry in Finland was reflected directly in the demand for engineering services. However, the engineering of Stendal Pulp Mill in Germany, which began in the latter half of 2001, strengthened the order book of the Process Industry Division considerably in 2002. Estimates forecasting more active market situation and increased investment level in the pulp and paper industry did not materialise during the autumn.

In the chemical industry both in Sweden and Finland, assignments from the oil and gas industry grew on 2001. In the energy industry, there were less new investments than in the previous year. On the other hand, the order backlog of plant suppliers remained at a fairly high level as a result of good demand for power plants firing biofuels in Europe.

Due to the unfavourable market situation, the Process Industry Division lagged behind its financial goals.

Versatile new orders

In 2002, we obtained several significant assignments from the pulp and paper industry to supplement the Stendal



*Kari Harsunen, Vice President,
Process Industry Division*

project, with end customers such as Metsä-Botnia's Kemi pulp mill, Celulosa Arauco Y Constitución S.A, Valdivia in Chile, and UPM-Kymmene Wisaforest's Pietarsaari pulp mill. Through equipment suppliers Metso and Andritz, we received engineering assignments for the recovery boiler, cooking department and drying line for the Stendal project. Finnish pulp and paper companies ordered several preliminary engineering assignments, and engineering and commissioning assignments relating to maintenance were extended on the basis of annual contracts.

In the chemical industry, the biggest client continued to be Neste Engineering, part of the Fortum Group. The most significant order in the chemical industry in Sweden came from Nynäs Refining, which also belongs to the Fortum Group. The assignment concerns the terminal project at the Nynäs oil refinery.

Within the energy industry, the continued biofuel boom in Europe increased the order intake of power plant suppliers. We obtained new projects from clients such as Foster Wheeler Energia (Estonia and Ireland), Kvaerner Pulping (Chile, Canada and Sweden) and Wärtsilä (Brazil and Turkey). One of the most important assignments was the project relating to the new heat recovery plant of Ekokem's hazardous waste treatment plant in Riihimäki, Finland. PIC had a comprehensive role in this project, covering not only engineering but also installation supervision, user training, commissioning and risk analysis. Assignments funded by international financial institutions in Eastern Europe and the Ukraine continued at the same level as in 2001.

Exports continued with focus on developing and advancing the international marketing and sales network, PI-Network. The members of this network are leading engineering consultants in Sweden, Great Britain, Germany, Austria, Estonia and Poland. PIC's position as a partner of international financial institutions strengthened further.

Efficiency in engineering

One of the most important development projects during the period reviewed was elevating the efficiency of engineering by developing the management methods for project operations and 3D engineering systems. More than 30 persons participated in Project Manager training arranged by PIC Academy.

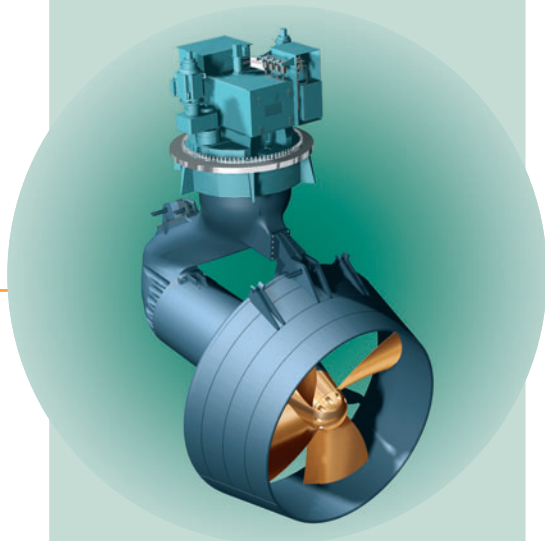
All the shares of the Swedish company PIC Engineering AB were acquired by PIC in 2002, and the company became part of the Process Industry Division. A Process Engineering Center was established in Pori together with PI-Rauma to serve the needs of the process industries in Western Finland.

Continued good order backlog

The outlook for 2003 is unfavourable because many investment decisions have been postponed. However, good results with orders achieved through exports provide a solid operational foundation.

The foremost objective for 2003 is to develop PI-Network in Europe by integrating the operating systems of the member companies both with respect to marketing and project execution. In this way, we are better prepared for the decline in economy which is to be expected. Engineering efficiency and purposefulness constitute part of the key expertise of each member of PI-Network.

ABB's Azipod propulsion unit



Customers

- Mechanical engineering industry
- Electrotechnical industry
- Equipment suppliers
- Manufacturing industries

Business units

- PIC Engineering Oyj,
Product and Manufacturing
(Finland: Vantaa, Lahti, Tampere, Oulu)
- PICSI Automation Oy
(Finland: Vantaa, Lahti, Ulvila, Oulu)

Products and services

- Consulting
- Project management
- Product development
- Detail engineering
- Engineering services
 - Investments
 - Operations

| | 2002 | 2001 | change |
|---|------|------|--------|
| Turnover, million € | 12.0 | 12.8 | -6 % |
| Proportion of the turnover of the Group | 19 % | 25 % | |
| Personnel 31 Dec | 160 | 178 | -10 % |

Product and Manufacturing

The Product and Manufacturing Division creates added value as the strategic partner of enterprises operating in the metal, engineering and electrotechnical industries by providing project management and product design services and by assuming responsibility for the clients' outsourced operations. At the same time, the Product and Manufacturing Division offers its own personnel interesting and challenging assignments.

The objective of Product and Manufacturing is long-term co-operation with clients. We wish to evolve into a leading Finnish expert partner serving the mechanical and electrical engineering industries and to expand our operations through international networking.

We support structural change in industry when enterprises outsource or expand their operations. Here, we utilise flexible and reliable customer processes.

Unique expertise

The services of Product and Manufacturing are composed of consulting, project management and engineering services which can concern investments, supply projects or product design and manufacture. The operating concepts have been commercialised into customer processes such as projects and networking. The basic starting point in the operations is partnership which supports flexible and reliable outsourcing by our clients. If necessary, we set up a team to work close to the client.

Strategic partnership with clients advances co-operation and boosts the value of the entire network. One example of such partnership is PICSI Automation, which was established together with Siemens. PICSI's progressive operating concept as a provider of demanding automation solutions and as PIC's centre of expertise in Siemens systems significantly supports the business of the founding companies.



*Tuomo Nevalainen, Vice President,
Product and Manufacturing Division*

Product and Manufacturing has accumulated unique expertise in R&D for the metal product and engineering industry through practical experience and integration of IT know-how. Project expertise gathered from investment projects in manufacturing industries supports the operations.

Good customer satisfaction

Despite declining economic trends and worsening market situation, the early part of 2002 was a good period for the Product and Manufacturing Division. On the other hand, the deteriorating trends towards the end of the year impeded business. We were clearly behind the sales objectives, and the volume of orders decreased. New personnel was not employed as much as had been planned, and the volume goals were not attained. Structural profitability was satisfactory but the financial result remained below the objective.

Client feedback was good even though the operations were affected by the change in the clientele structure as a result of the prevailing economic trends. Significant clients during the period under review included leading enterprises in the mechanical and electrical engineering industries such as ABB, Fläkt Woods, Kone, KCI, Metso, Maillefer, Outokumpu, Raute and Siemens. For these clients, we render product-related services in R&D and supply projects. Orders typically cover both mechanical and automation engineering.

Plant projects for manufacturing industries consist of new plants or development of existing plants. Our clients here include names such as AGA, AvestaPolarit, Fenestra, Draka NK Cables, Saint-Gobain Isover and Sinebrychoff.

Client needs determine development efforts

Development measures focused on enhanced client co-operation, expanding and deepening the expertise possessed

by our personnel, and IT applications. Together with our clients, we arranged shared training sessions in order to advance product and technological expertise. We also concentrated on electrical safety and materials technology during 2002. Project Manager training at PIC Academy gave additional facilities to many new project managers.

Market situation calls for ability to rapid response

The year 2003 commences with a very uncertain market outlook. Our clients have received less orders, and many of them are adapting their operations for still declining future trends. Product and Manufacturing will monitor the trends and respond quickly to potential changes.

We will focus on client relationships by changing our organisation so that it supports our CRM (Client Relation Management) process and the achievement of internationalisation objectives. We will consolidate our regional presence further, and we will work close to our clients.

Development input in 2003 will be directed at client co-operation and personnel training. We are involved in 2 to 3 technology projects supported by the Technology Development Centre of Finland (Tekes), for instance in consolidating our networking skills. Further development of operating concepts is an essential component of our commercialisation process.

PIC Electronics has engineered electronics, mechanics and software for a device intended for the wireless remote control and monitoring of machines.



Customers

- Telecommunications industry
- Industrial electronics

Business units

- PIC Engineering Oyj, Electronics (Finland: Vantaa, Oulu, Ylivieska)
- PIC Mecaplan Oy (Finland: Nivala, Ylivieska)

Products and services

- R&D
- Technology research
- Project management
- Product updating engineering
- Consulting

| | 2002 | 2001 | change |
|---|------|------|--------|
| Turnover, million € | 9.1 | 5.9 | 54 % |
| Proportion of the turnover of the Group | 15 % | 12 % | |
| Personnel 31 Dec | 114 | 104 | 10 % |

Electronics

The Electronics Division offers comprehensive product development solutions for industrial electronics and telecommunications clients. Our design competences include electronics hardware, embedded software, electromechanics, and systems testing. We also provide development project management services and consulting services as well as technology and feasibility studies.

Tough market situation

The year 2002 was one of growth and development for the Electronics Division. Turnover increased by 50 per cent from the previous year, and new services were developed to complement the full service concept. The first R&D assignments carried out directly abroad were executed with success.

The electronics market in 2002 was tougher than anticipated. Even though turnover grew rapidly from the previous year, the impacts of the sharp downswing in the electronics industry were reflected in the financial result. The business volume did not grow towards the end of the year as was anticipated, and the financial goals set were not attained.

The number of personnel within the Electronics Division grew by 10 per cent. New engineers were recruited in all competence areas. The biggest relative growth in the number of personnel took place in hardware and software design and testing services. Expertise was enhanced in the form of development work, training and new tools. The regional organisation structure was replaced with a global competence-based structure.



*Sami Kangasharju, Vice President,
Electronics Division*

Focus on key customer relationships

In 2002, we witnessed the successful completion of a total delivery assignment for Nokia Networks in Great Britain, the first on a truly large scale. We also had project assignments abroad with other clients in Germany and Japan. The two largest clients of the Electronics Division were Nokia Networks and NMP.

Business is based on open partnership and long-term development programmes. Conformance to these is guided in co-operation with key customers. The goal is to assume increasing responsibility for the clients' product development and related technical know-how.

Seeking growth

No significant growth is expected in the electronics market in 2003. For the Electronics Division, a key issue remains how well the telecommunications segment recovers. In an uncertain market situation, we seek growth from increased outsourcing by our target clients, development of new service offerings to existing clients, strategic acquisitions, as well as gaining market share from local competition in Finland.

The objective of the Electronics Division in 2003 is to continue growth and increase operational profitability.

Truss spar type hull of an oil production platform engineered for Technip Rauma Offshore Oy, loaded onto a heavy transport vessel at Mäntyluoto Works. The destination is BP's Horn Mountain oil field on the Gulf of Mexico with a water depth of 2,000 metres.



Customers

- Offshore industry
- Shipbuilding industry

Business unit

- PI-Rauma Oy
(Finland: Pori, Rauma, Vantaa)
(Ownership: 50 % Technip-Coflexip
and 50 % PIC Engineering Oyj)

Products and services

- AFC and execution engineering
- Fabrication engineering
- Strength analyses

| | 2002 | 2001 | change |
|---|------|------|--------|
| Turnover, million € | 16.0 | 13.1 | 22 % |
| Proportion of the turnover of the Group | 26 % | 26 % | |
| Personnel 31 Dec | 197 | 189 | 4 % |

Marine Technology

The business of the Marine Technology Division is based on long-term co-operation with key clients. In the offshore and shipbuilding industry, our special strengths are the engineering and strength analyses of hull structures of oil production platforms, drilling platforms and their conversions, and car-passenger ferries.

Growth and good profitability

In 2002, turnover of the Marine Technology Division grew by more than 20 per cent. Operational profitability was good, which was the result of a high capacity utilisation rate and the fact that the proportion of AFC engineering and strength analyses for spar oil production platforms was bigger than usually.

Our own personnel increased by 4 per cent. Subcontracted work rose to 20 per cent of invoiced working hours. The considerable growth in volume was managed through internal flexibility and by means of a network consisting of strategic subcontractors without significant growth in our own capacity or fixed costs.

High demand for the engineering of spar platforms

There was exceptionally high activity in the offshore industry in 2002. Almost 80 per cent of the engineering capacity was used on the engineering of spar platforms.

AFC engineering as well as strength and transport analyses were carried out for three hulls of truss spar type oil production platforms which will be delivered by Technip-Coflexip to BP. These hulls will be built at Mäntyluoto Works under Technip Rauma Offshore in Pori. One of the hulls was already delivered to the Gulf of Mexico in 2002, and the two others will be delivered there in 2003. Corresponding engineering assignments were executed for KerrMcGee oil company for a spar platform to be delivered



Matti Mattila, Managing Director, PI-Rauma Oy

to the Gulf of Mexico in the spring of 2003. This is already the fourth platform engineered for this company. The Marine Technology Division was also responsible for fabrication engineering and production-related engineering of all of the above platforms.

The Marine Technology Division was able to respond to the rapidly increasing demand for spar platforms because the demand for ship engineering services was exceptionally quiet at the same time.

The foremost assignment in the shipbuilding industry was the engineering of car-passenger ferries delivered by Aker Finnyards to Tallink and North Link shipping companies. Both ferries were completed and delivered in 2002. New orders for ship engineering were confirmed at the end of 2002, relating to cruiser and car-passenger ferry orders obtained by Aker Finnyards and Kvaerner Masa Yards. The engineering of these will primarily commence in early 2003.

Co-operation network developed further

Development input in 2002 was directed mainly at the expanded use of new engineering methods such as 3D engineering and at related training. Some of the training was carried out in co-operation with the client companies.

The enhancement of the co-operation network continued also with local companies, foreign strategic partners, and with the owner companies of PI-Rauma.

Increasing demand in the shipbuilding industry, balancing customer structure

The outlook for 2003 is somewhat uncertain in the offshore industry. The volume is expected to decrease, because the platforms now being manufactured have mainly already been engineered. Demand in the shipbuilding industry will strengthen considerably in 2003, which will balance the declining demand in the offshore industry.

PI-Rauma Oy operates in Western Finland as a regional office of PIC, having responsibility for the customer interface to local process industry companies and export-oriented metal engineering industry companies. These customer segments represent approximately 20 per cent of PI-Rauma's turnover.



Enzo Gattola (on the right), Tessag KSH Ltd and Irma Torkkel. On the background Minna Pettersson, Cadpool Oy.

Internationalisation

One of PIC's foremost objectives and biggest challenges is profitable growth both in Finland and internationally. The objective is to increase the proportion of direct exports and international operations to more than 30 per cent of turnover by the year 2005. Our main market area is Europe. In other market areas, we work through individual projects.

The basic strategy in international expansion is to consolidate and expand PI-Network, the international network of partners, which works close to the clients and knows the local conditions and procedures. PI-Network is composed of PIC's own companies, partners and joint ventures established with the partners. International opportunities are also sought as a partner of Finnish clients which operate in the international arena.

PIC's internationalisation process progressed successfully in 2002. Significant assignments were received from clients outside Finland, new co-operation agreements were signed, and the Swedish company PIC Engineering AB, which has particular importance in Scandinavia, was acquired.

The companies currently belonging to PI-Network specialise in the process industries, but this network will be expanded gradually to cover all PIC's customer segments. In 2003, new partners will be sought actively for PI-Network, and marketing and R&D co-operation within the network will be advanced. There will also be closer co-operation with the French Technip-Coflexip, which is the co-owner in PI-Rauma.

Process Industry Division

The Swedish company PIC Engineering AB operating in Karlstad and Gothenburg was acquired by PIC in the spring of 2002. In line with this acquisition, PIC's resources were strengthened by more than 100 experienced experts. PIC Engineering AB's special expertise covers engineering and project management services for the pulp and paper industry as well as the chemical and energy industries. The Process

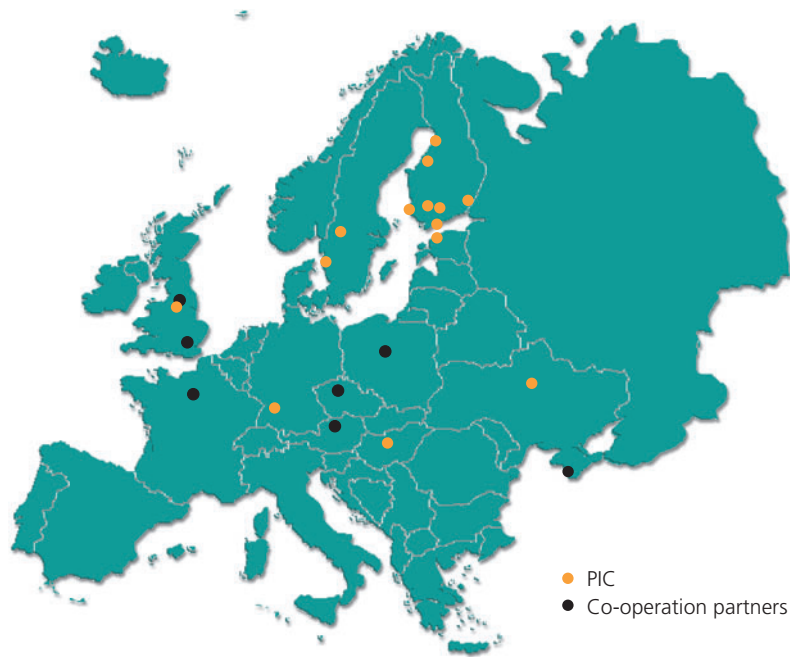
Industry Division is now considerably better equipped to attend to projects in Sweden and Norway taking into account the needs of local customers.

In the autumn of 2002, PIC signed a co-operation agreement with the Brazilian building client and engineering consultant JP Brasil. The size and history of the company as an expert in the pulp and paper industry in South America combined with PIC's solid process knowledge create a competitive service provider. The main objective in this co-operation is to be involved in the extensive pulp mill projects in Brazil, but also other projects within the chemical wood-processing industry in Brazil and other South American countries are covered by the co-operation.

A Teaming Agreement was signed in the autumn with Jacobs Engineering Group, a US company. The goal is to work as an expert partner especially together with Nordic companies operating in North America and with other pulp industry customers on this continent. In this way, Jacobs can provide its local customers with leading-edge European expertise. The co-operation will also open new opportunities for joint action in projects undertaken by North American companies in Europe.

PI-Network obtained its first significant assignment in 2002. A group composed of PIC Engineering Oyj, TBP Piesslinger Ges.m.b.H. & Co.KG and BHM INGENIEURE Engineering + Consulting GmbH, all members of the network, were assigned most of the detail engineering for Zellstoff Stendal GmbH's new market pulp mill to be built in Arneburg in Germany.

The Process Industry Division has also grown its operations in projects funded by international financial institutions and carried out in Eastern Europe and China. Together with its Estonian business unit PIC Estonia Ltd, PIC has received considerable environmental and energy assignments for projects funded by EBRD and the EU's TACIS programme in Russia, the Ukraine and the Baltic countries. In China,



PIC is carrying out an analysis funded by the World Bank of the environmental impacts of the paper industry, covering the Liaoning Province, and engineering relating to the modernisation projects of two pulp and paper mills.

The goal for 2003 is to expand and consolidate the business of the Process Industry Division in Europe, to establish a permanent office in Russia and the Ukraine, and to investigate opportunities for establishing business in China.

Product and Manufacturing Division

The clients of Product and Manufacturing mostly consist of international enterprises, for which PIC renders R&D services and engineering of execution projects. Moreover, some investments of manufacturing industries are executed outside Finland, such as Saint-Gobain Isover's glass wool factory being built near Moscow in Russia.

The objective of Product and Manufacturing is that in 2005, one quarter of turnover and most of the growth of the division come directly from international business. This will mean active expansion of operations both through alliances and outsourcing in the selected target countries. Focus in 2003 will be especially on building facilities for international expansion and on finding new partners.

Our operating concepts in projects and partnership together with our facilities for structural rearrangements, where we have gathered experience in Finland, are also well suited for international operations.

Electronics Division

The electronics industry has become much more international in a very short period of time, and manufacturing services for high-volume products are being shifted to countries with inexpensive labour, such as China and Eastern European countries. Another significant trend is the integration of electronics engineering and manufacturing.

Our customers more and more often have global needs, and the engineering partner needs to have the ability to provide the R&D services flexibly irrespective of location.

From the Electronics Division, all this calls for facilities to establish foreign units and to win new international customers.

In 2002, Electronics took its first steps towards the international market. We executed successfully an extensive R&D project for Nokia Networks in Camberley in Great Britain. This assignment tested our ability to manage a geographically decentralised R&D project. Other foreign assignments were carried out for KCI in Germany and for NMP in Japan.

Over a long time span, the international expansion of the Electronics Division is directed to two directions: to the geographically close Northern Europe, especially Sweden, where PIC already has a solid position in the other customer segments, and to the Far East and Eastern Europe, where new engineering needs will emerge in line with manufacture. In these areas, co-operation with contract manufacturers can also open new opportunities for establishing business.

Peter Buch Lund (on the left), Lauri Hintikka,
Ritva Hätönen and Carl G. Nordman



Report by the Board of Directors Financial year 1 January to 31 December 2002

General

The Group structure was simplified at the beginning of 2003 in order to enhance business efficiency. Subsidiary Projekti-insinöörit Oy was merged into PI-Consulting Oyj on 31 December 2002. At the same time, the parent company was renamed PIC Engineering Oyj.

Turnover

The Group's turnover during the financial year was 64.0 million € (2001: 50.9 million €), which was 25.7 per cent more than during the previous financial year. The growth in turnover was influenced by natural growth as well as by the consolidation of the Swedish company PIC Engineering AB, which was acquired fully by the Group in 2002. Foreign assignments accounted for 47 per cent (42 per cent) of turnover.

Financial result

The operating profit remained at the level for 2001. Profitability was decreased by uneven capacity utilisation and costs relating to the acquisitions as well as by the poor profit level of the acquired companies before the impact of development measures. Relative profitability was also decreased by the high volume of subcontracting.

The Group's profit before appropriations, taxes and minority interests was 3.9 million € (3.7 million €). The operating profit was 4.2 million €, i.e. 6.5 per cent of turnover (4.1 million € and 8.1 per cent respectively). The operating profit includes 0.7 million € (0.4 million €) of the Group's goodwill depreciation. The profitability of the Marine Technology Division was good, and the Product and Manufacturing Division also reached good profitability despite declining demand towards the end of the year. On the other hand, the Process Industry Division as well as the Electronics Division, which suffered from smaller demand for engineering services, were clearly behind their profitability goals.

The consolidated balance sheet total was 30.3 million € (24.1 million €). The consolidated shareholders' equity was 7.1 million € (6.4 million €). The Group's equity ratio was 31.7 per cent (34.8 per cent). A subordinated loan of 2.1 million € (2.8 million €) has been taken into account in the figures. The equity ratio of the parent company following the subsidiary merger was 35.4 per cent (61.9 per cent), including the above subordinated loan.

Financing

The Group's financial situation was good throughout the period examined, and the cash flow was positive. At the end of the financial year, interest-bearing debt amounted to 7.8 million € (6.4 million €); this represents 12.2 per cent of turnover (12.6 per cent). Net financial expenses accounted for 0.4 per cent of turnover (0.7 per cent). Gearing stood at 6.4 per cent (12.6 per cent). The Group's subordinated loans of 2.1 million € (2.8 million €) have been treated in all of the above figures as interest-bearing debt.

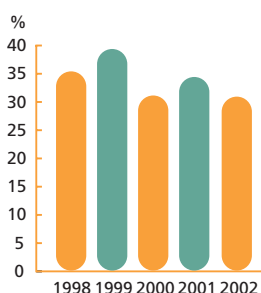
Investments

The Group's gross investments amounted to 2.5 million € (1.6 million €), which is 3.9 per cent of turnover (3.1 per cent). Of the investments, 1.9 million € (0 million €) concerned acquisitions and 0.6 million € (1.6 million €) purchases of computer hardware and software as well as building of internal and external data communications networks.

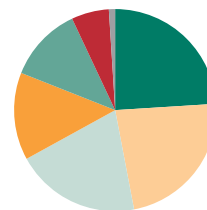
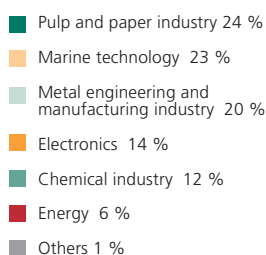
Group structure

The parent company of the Group is PIC Engineering Oyj. Projekti-insinöörit Oy was its fully-owned subsidiary, which was merged into the parent company on 31 December 2002. The Group also includes PIC Engineering AB (100 per cent) operating in Sweden, PICS Automation Oy (70 per cent) operating in Vantaa, Ulvila and Oulu in Finland, PI-Mecaplan Oy (57 per cent) operating in Nivala

Return on investment



Turnover by business sectors



and Ylivieska in Finland, PI-Rauma Oy (50 per cent) operating in Rauma, Pori and Vantaa in Finland, PIC Estonia Ltd (68 per cent) operating in Tallinn in Estonia, PI-HUN Engineering Ltd Co. (53 per cent) operating in Budapest in Hungary, and Kiinteistö Oy Sammonpiha (75 per cent) in Lappeenranta, Finland.

At the end of the year, PIC also encompassed PAB engineering GmbH (40 per cent) in Germany and IS-Plan Oy (24 per cent) in Vantaa, Finland.

Ownership

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

PI-Management Oy owns 100 per cent of the company's shares.

Board of Directors

During the financial year, the Board of Directors of the company consisted of Peter Buch Lund, Carl G. Nordman and Lauri Hintikka. Peter Buch Lund served as the Chairman of the Board and Ritva Hätönen as the Secretary of the Board.

Lauri Hintikka is the President of PIC Engineering Oyj.

Events after the financial year

PIC has acquired 100 per cent of the shares of Piiri Technologies Oy located in Oulu, Finland. The company is specialised in electronics ASIC engineering, and the acquisition is expected to improve PIC's competitive position in the electronics industry market.

Outlook for the near future

Demand for engineering services is influenced by industrial research and development input, plant and mill investments,

and changes in production volumes. The economic outlook for the near future continues to be uncertain. However, expanding the market area into Europe together with structural changes in industry will probably provide PIC with additional growth opportunities. The market position of the Group has strengthened and the order backlog is steady. The Group's financial performance is expected to improve in 2003.

Proposal by the Board of Directors concerning the use of profit

The distributable shareholders' equity of the Group is 1.7 million € and that of the parent company 1.9 million €. The Board of Directors proposes that no dividend be paid and that the net profit of the parent company and Group be included in retained earnings.

Vantaa, 4 March 2003

Peter Buch Lund
Chairman of the Board

Carl G. Nordman

Lauri Hintikka
President



Consolidated profit and loss account

1 Jan to 31 Dec 2002 and 1 Jan to 31 Dec 2001

| 1000 € | 2002 | 2001 |
|--|-----------------|-----------------|
| Turnover | 63,986.6 | 50,875.4 |
| Other operating income | 83.0 | 103.8 |
| Materials and services | - 11,609.1 | - 5,707.0 |
| Share of the financial results of associated companies | - 176.5 | - 120.5 |
| Personnel expenses | - 36,479.7 | - 31,806.2 |
| Depreciation and write-downs | - 1,896.0 | - 1,398.3 |
| Other operating expenses | - 9,746.1 | - 7,847.0 |
| Operating profit | 4,162.2 | 4,100.2 |
| Financial income and expenses | -283.0 | -350.6 |
| Profit before taxes | 3,879.2 | 3,749.6 |
| Direct taxes | -1,367.1 | -1,151.3 |
| Minority interest | - 1,240.3 | - 701.8 |
| Net profit for the financial year | 1,271.8 | 1,896.5 |

Consolidated balance sheet

31 Dec 2002 and 31 Dec 2001

| 1000 € | 2002 | 2001 |
|---|-----------------|-----------------|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 1,220.9 | 1,405.9 |
| Consolidated goodwill | 3,211.4 | 847.7 |
| Tangible assets | 3,308.1 | 3,993.0 |
| Long-term investments | <u>974.1</u> | <u>2,065.2</u> |
| | 8,714.5 | 8,311.8 |
| Current assets | | |
| Short-term receivables | 14,369.7 | 10,449.0 |
| Cash and bank receivables | <u>7,207.3</u> | <u>5,327.6</u> |
| | 21,577.0 | 15,776.6 |
| | 30,291.5 | 24,088.4 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Shareholders' equity | | |
| Share capital | 1,920.0 | 1,920.0 |
| Issue premium fund | 190.8 | 190.8 |
| Contingency fund | <u>1,072.1</u> | <u>1,072.1</u> |
| | 3,182.9 | 3,182.9 |
| Retained earnings | 480.5 | - 1,425.2 |
| Net profit for the financial year | <u>1,271.8</u> | <u>1,896.5</u> |
| | 1,752.3 | 471.3 |
| Subordinated loan | 2,137.7 | 2,778.4 |
| Shareholders' equity, total | 7,072.9 | 6,432.6 |
| Minority interest | 2,518.8 | 1,958.5 |
| Liabilities | | |
| Deferred tax liability | 21.9 | 27.5 |
| Long-term liabilities | 2,736.5 | 2,955.7 |
| Short-term liabilities | <u>17,941.4</u> | <u>12,714.1</u> |
| | 20,699.8 | 15,697.3 |
| | 30,291.5 | 24,088.4 |



Statement of changes in financial position, Group

31 Dec 2002 and 31 Dec 2001

| 1000 € | 2002 | 2001 |
|--------------------------------------|-----------------|-----------------|
| SOURCES OF FUNDS | | |
| Funds from operations | | |
| Operating profit | 4,162.2 | 4,100.2 |
| Depreciation according to plan | 1,896.0 | 1,398.3 |
| Financial income and expenses | -283.0 | -350.6 |
| Taxes | <u>-1,367.1</u> | <u>-1,151.3</u> |
| | 4,408.1 | 3,996.6 |
| Sales of fixed assets | 876.4 | 4.4 |
| Increase in long-term debt | <u>1,782.0</u> | <u>232.4</u> |
| | 7,066.5 | 4,233.4 |
| USE OF FUNDS | | |
| Investments | 3,595.5 | 1,598.7 |
| Decrease in long-term debt | 1,291.9 | 2,206.6 |
| Dividend distribution | <u>676.9</u> | <u>429.0</u> |
| | 5,564.3 | 4,234.3 |
| Change in net working capital | <u>1,502.2</u> | <u>-0.9</u> |
| | 7,066.5 | 4,233.4 |
| CHANGE IN NET WORKING CAPITAL | | |
| Cash and bank receivables | 1,879.7 | 1,834.4 |
| Short-term liquid assets | 3,500.3 | -1.0 |
| Short-term liabilities | <u>-3,877.8</u> | <u>-1,834.3</u> |
| | 1,502.2 | -0.9 |

Notes to the financial statements

ACCOUNTING PRINCIPLES

General principles

The financial statements are drawn up in accordance with the Finnish principles for financial statements. Leasing financing is treated as annual rentals. Outstanding payments are stated under other liabilities.

Group structure

The company is part of the PI-Management Oy Group. The financial statements are available at address Liesikuja 5, FIN-01600 Vantaa, Finland.

Scope of consolidated financial statements

The consolidated financial statements include the accounts of the parent company, PIC Engineering Oyj, and of each of those companies in which the parent company owns directly or indirectly more than 50 per cent of the voting rights. PI-Rauma Oy, which is owned by Mäntyluoto Works Oy and PIC Engineering Oyj in equal proportions, is also consolidated.

Accounting principles for consolidated financial statements

The consolidated financial statements are prepared in accordance with the purchase method of accounting. All inter-company transactions as well as internal receivables and debts are eliminated in consolidation.

All items in the financial statements of foreign Group companies are translated into Finnish currency at the average exchange rates on the closing date, given by the European Central Bank. Translation differences resulting from the elimination of the shareholders' equity of subsidiaries are stated under the unrestricted shareholders' equity of the Group.

Minority interests are separated from the shareholders' equity, reserves and profit of the Group, and they are shown as a separate item.

Associated companies are consolidated using the equity method of accounting. The Group's proportion of the profit or loss of associated companies based on the Group's share ownership in them less depreciation on consolidation assets is shown as a separate item in the operating expenses.

Commodities rented through financial leasing agreements have not been treated as purchased commodities.

Items in foreign currencies

Receivables and debts denominated in foreign currencies are translated into Finnish currency using the average rates on the closing date, given by the European Central Bank.

Recognition of project income

The Group applies the percentage of completion method to project income. With incomplete projects, cost reserves conforming to the profit forecast are accounted for as costs in the financial statements.

Subordinated loans

Through agreements dated 14 January 2000, the funded loans have been converted into equity-rated subordinated loans, with the terms of the loans corresponding to the regulations stated under Chapter 5 of the Companies Act concerning subordinated loans.

Loan terms of subordinated loans:
Interest 6 month euribor + 3 %, repayment of loan began in 2001 in instalments of 20 % calculated from the original capital of the loan. The interest and instalments are paid only if the shareholders' equity so permits.

The outstanding interests of subordinated loans have been recorded in the profit and loss account as expenses.

Valuation of fixed assets

Fixed assets are accounted for in the balance sheet at immediate acquisition cost less planned depreciation. Planned depreciation is calculated on the basis of the economic lives of fixed assets as straight-line depreciation from the original acquisition prices. The depreciation plan is the same as in the previous year.

The depreciation periods are as follows:

| | |
|--|------------|
| Office buildings | 50 years |
| Office furniture | 5–15 years |
| Computer hardware and office equipment | 3–5 years |
| Vehicles | 3 years |
| Computer systems | 5–10 years |
| Other long-term expenses | 5–10 years |
| Goodwill | 5–7 years |



| 1000 € | 2002 | 2001 |
|--|-----------------|-----------------|
| Turnover by market areas | | |
| Finland | 53 % | 58 % |
| Exports (direct and indirect) | 47 % | 42 % |
| Other operating income | | |
| Gains on the disposal of fixed assets | 42.7 | 0.1 |
| Insurance indemnities/refunds | 1.9 | 98.2 |
| Others | <u>38.4</u> | <u>5.5</u> |
| | 83.0 | 103.8 |
| Materials and services | | |
| Materials and services | 2,971.3 | 2,389.3 |
| External services | <u>8,637.8</u> | <u>3,317.7</u> |
| | 11,609.1 | 5,707.0 |
| Share of the profit or loss of associated companies | | |
| PAB engineering GmbH | -24.0 | 0.0 |
| IS-Plan Oy | -6.0 | -0.3 |
| PIC Engineering AB | <u>-146.5</u> | <u>-120.2</u> |
| | -176.5 | -120.5 |
| The figures include depreciation on consolidation assets. | | |
| Personnel and personnel expenses | | |
| At the end of the financial year, the Group employed 875 persons (764 in 2001). The average number of personnel was 833 persons (718 in 2001). | | |
| Personnel of Group companies 31 Dec | | |
| In Finland | 717 | 724 |
| Outside Finland | <u>158</u> | <u>40</u> |
| | 875 | 764 |
| Personnel expenses | | |
| Salaries, wages and bonuses | 29,281.6 | 25,269.7 |
| Pension expenses | 4,456.4 | 4,626.3 |
| Other personnel expenses | <u>2,741.7</u> | <u>1,910.2</u> |
| | 36,479.7 | 31,806.2 |
| The President of the parent company and the Managing Director of PI-Rauma Oy have an additional pension insurance which enables retirement at the age of 60. | | |
| Management salaries and bonuses | | |
| President and Managing Directors | 410.9 | 257.1 |
| Board members | 11.6 | 13.2 |
| Depreciation and write-downs | | |
| Depreciation on tangible and intangible assets | 1,896.0 | 1,398.3 |
| Depreciation itemised by the various balance sheet items is included in item tangible and intangible assets. | | |
| Financial income and expenses | | |
| Dividend income | | |
| Group companies | - | - |
| Associated companies | - | - |
| Others | <u>2.6</u> | <u>4.0</u> |
| Dividend income total | 2.6 | 4.0 |

| 1000 € | 2002 | 2001 |
|---|----------------|----------------|
| Interest and financial income | | |
| Group companies | - | - |
| Others | <u>140.1</u> | <u>148.5</u> |
| Interest income total | 140.1 | 148.5 |
| Interest and other financial expenses | | |
| Group companies | - | - |
| Others | <u>-425.7</u> | <u>-503.1</u> |
| Interest expenses total | -425.7 | -503.1 |
| Financial income and expenses total | -283.0 | -350.6 |
| Direct taxes | | |
| Income taxes | 1,372.7 | 1,162.8 |
| Change in deferred tax liability | <u>-5.6</u> | <u>-11.5</u> |
| | 1,367.1 | 1,151.3 |
| Intangible assets | | |
| <u>Intangible rights</u> | | |
| Acquisition cost 1 Jan | 18.6 | 89.5 |
| Additions during the period | 1.0 | 0.0 |
| Disposals during the period | <u>0.0</u> | <u>-70.9</u> |
| Acquisition cost 31 Dec | 19.6 | 18.6 |
| Accumulated depreciation 1 Jan | 0.0 | -70.9 |
| Depreciation on disposals | 0.0 | 70.9 |
| Depreciation during the period | <u>0.0</u> | <u>0.0</u> |
| Book value 31 Dec | 19.6 | 18.6 |
| <u>Long-term expenses</u> | | |
| Acquisition cost 1 Jan | 4,145.2 | 3,450.2 |
| Acquisition cost subsidiary/merger transfer | 97.1 | 0.0 |
| Additions during the period | 178.0 | 695.0 |
| Disposals during the period | <u>-1.0</u> | <u>0.0</u> |
| Acquisition cost 31 Dec | 4,419.3 | 4,145.2 |
| Accumulated depreciation 1 Jan | -2,757.9 | -2,443.0 |
| Accumulated depreciation subsidiary/merger transfer | -26.3 | 0.0 |
| Depreciation on disposals | 0.0 | 0.0 |
| Depreciation during the period | <u>-433.8</u> | <u>-314.9</u> |
| Book value 31 Dec | 1,201.3 | 1,387.3 |
| Intangible assets total | 1,220.9 | 1,405.9 |
| Goodwill | | |
| Acquisition cost 1 Jan | 1,155.9 | 1,127.9 |
| Acquisition cost subsidiary/merger transfer | 1,088.7 | 0.0 |
| Additions during the period | <u>2,653.8</u> | <u>28.0</u> |
| Acquisition cost 31 Dec | 4,898.4 | 1,155.9 |
| Accumulated depreciation 1 Jan | -308.2 | -75.2 |
| Accumulated depreciation subsidiary/merger transfer | -489.8 | 0.0 |
| Accumulated depreciation, results of associated companies | -183.0 | 0.0 |
| Depreciation during the period | <u>-706.0</u> | <u>-233.0</u> |
| Goodwill total | 3,211.4 | 847.7 |
| Tangible assets | | |
| <u>Land areas</u> | | |
| | 13.3 | 13.3 |
| <u>Buildings and constructions</u> | | |
| Acquisition cost 1 Jan | 2,550.4 | 2,550.4 |
| Additions during the period | 0.0 | 0.0 |
| Disposals during the period | <u>0.0</u> | <u>0.0</u> |
| Acquisition cost 31 Dec | 2,550.4 | 2,550.4 |
| Accumulated depreciation 1 Jan | -580.1 | -529.1 |
| Depreciation during the period | <u>-51.1</u> | <u>-51.0</u> |
| Book value 31 Dec | 1,919.2 | 1,970.3 |



| 1000 € | 2002 | 2001 |
|---|-----------------|-----------------|
| Machinery and equipment | | |
| Acquisition cost 1 Jan | 9,198.2 | 9,143.6 |
| Acquisition cost subsidiary/merger transfer | 1,288.0 | 0.0 |
| Additions during the period | 553.5 | 973.2 |
| Disposals during the period | <u>-1,901.3</u> | <u>-918.6</u> |
| Acquisition cost 31 Dec | 9,138.4 | 9,198.2 |
| Accumulated depreciation 1 Jan | -7,188.8 | -7,307.6 |
| Accumulated depreciation subsidiary/merger transfer | -845.9 | 0.0 |
| Depreciation on disposals | 1,025.9 | 917.9 |
| Depreciation during the period | <u>-754.0</u> | <u>-799.1</u> |
| Book value 31 Dec | 1,375.6 | 2,009.4 |
| Tangible assets total | 3,308.1 | 3,993.0 |
| Equity investments | | |
| Shares of associated companies 1 Jan | 703.5 | 807.0 |
| Addition | 0.0 | 23.0 |
| Reduction | <u>-691.5</u> | <u>-126.5</u> |
| Shares of associated companies 31 Dec | 12.0 | 703.5 |
| Other shares 1 Jan | 1361.7 | 1359.7 |
| Addition/merger transfer | 20.8 | 5.7 |
| Reduction | <u>-420.4</u> | <u>-3.7</u> |
| Other shares 31 Dec | 962.1 | 1361.7 |
| Equity investments total | 974.1 | 2065.2 |
| Receivable | | |
| Accounts receivable | 11,208.5 | 9,019.1 |
| Receivable from associated companies | | |
| Accounts receivable | 27.4 | 4.0 |
| Loans receivable | <u>56.8</u> | <u>0.0</u> |
| | 84.2 | 4.0 |
| Loans receivable | 420.5 | 514.4 |
| Other receivable | 611.2 | 146.7 |
| Prepaid expenses and accrued income | <u>2,045.3</u> | <u>764.8</u> |
| | 3,077.0 | 1,425.9 |
| Receivable total | 14,369.7 | 10,449.0 |
| Essential items of prepaid expenses and accrued income | | |
| Invoicing carried forward | 1,019.8 | 226.6 |
| Insurance premium allocation | 386.0 | 127.4 |
| Social Security Institution | 164.3 | 135.8 |
| Tax receivable | 271.1 | 92.5 |
| Advance payments | 104.3 | 26.3 |
| Others | <u>99.8</u> | <u>156.2</u> |
| | 2,045.3 | 764.8 |
| Shareholders' equity | | |
| Share capital 1 Jan and 31 Dec | | |
| A series | 1,920.0 | 1,920.0 |
| Share issue premium 31 Dec | 190.8 | 190.8 |
| Reserve fund 1 Jan and 31 Dec | 1,072.1 | 1,072.1 |
| Retained earnings 1 Jan | 471.3 | -1,426.5 |
| Translation difference | <u>9.2</u> | <u>1.3</u> |
| Retained earnings 31 Dec | 480.5 | -1,425.2 |
| Net profit for the financial year | 1,271.8 | 1,896.5 |
| Subordinated loans 1 Jan | 2,778.4 | 3,429.0 |
| Additions | 0.0 | 232.4 |
| Repayments | <u>-640.7</u> | <u>-883.0</u> |
| Subordinated loans 31 Dec | 2,137.7 | 2,778.4 |
| Shareholders' equity total | 7,072.9 | 6,432.6 |

| 1000 € | 2002 | 2001 |
|--|-----------------|-----------------|
| Distributable shareholders' equity | | |
| Profit/loss from previous financial years | 480.5 | -1,425.2 |
| Net profit for the financial year | 1,271.8 | 1,896.5 |
| Proportion of shareholders' equity in accum. depreciation differences and voluntary reserves | <u>-49.5</u> | <u>-67.4</u> |
| | 1,702.8 | 403.9 |
| Unaccounted deferred tax receivable | | |
| | 273.0 | 269.5 |
| Long-term liabilities | | |
| Loans from financial institutions | 2,618.4 | 2,790.0 |
| Pension loans | <u>118.1</u> | <u>165.7</u> |
| | 2,736.5 | 2,955.7 |
| Debt falling due in more than 5 years | | |
| Loans from financial institutions | 0.0 | 381.4 |
| Pension loans | <u>-</u> | <u>-</u> |
| | 0.0 | 381.4 |
| Short-term liabilities | | |
| Loans from financial institutions | 2,277.4 | 608.3 |
| Pension loans | 47.6 | 47.6 |
| Accounts payable | 2,151.6 | 1,200.0 |
| Debt of associated companies | 96.1 | 30.8 |
| Other debt | 3,272.6 | 2,708.4 |
| Accrued expenses | <u>10,096.1</u> | <u>8,119.0</u> |
| | 17,941.4 | 12,714.1 |
| Essential items of accrued expenses | | |
| Payroll allocation | 6,790.7 | 5,877.3 |
| Allocation relating to invoicing carried forward | 1,837.1 | 1,294.6 |
| Insurance premium allocation | 323.4 | 593.7 |
| Others | <u>1,144.9</u> | <u>353.4</u> |
| | 10,096.1 | 8,119.0 |
| Commitments and contingencies | | |
| Mortgages | | |
| General pledge/business mortgage | 5,018.0 | 3,700.0 |
| Financing loans | 4,884.0 | 3,388.0 |
| Mortgages on own obligations | 5,018.0 | 3,700.0 |
| Mortgages on own obligations total | 5,018.0 | 3,700.0 |
| Pledges | | |
| Financing loans | 4,359.9 | 3,388.0 |
| Pledges on own debt, book value | 3,088.0 | 6,759.0 |
| Financing loans | 550.0 | 3,388.0 |
| Pledges on behalf of Group companies, book value | 220.0 | 623.0 |
| Guarantees | | |
| Bank guarantee | 2,250.0 | 631.0 |
| On own obligations | 2,250.0 | 631.0 |
| Other liabilities | | |
| Leasing liabilities | | |
| To be paid in the new financial year | 1,503.0 | 361.7 |
| To be paid later | 1,572.0 | 548.8 |
| Rent liabilities | | |
| To be paid in the new financial year | 600.0 | 600.0 |
| To be paid later | 3,600.0 | 4,200.0 |

| Shares owned by parent company | Group holding | Group voting | Group share of shareholders' equity | Parent company holding | Shares owned by parent company | | |
|--|---------------|--------------|-------------------------------------|------------------------|--------------------------------|---------------|------------|
| | % | % | t€ | % | Qty | Nominal value | Book value |
| Group companies | | | | | | | |
| PIC Engineering AB | 100 | 100 | -31.1 | 100 | 1 847 | 184.7 tSEK | 2,815.4 |
| Real estate company | | | | | | | |
| Sammonpiha | 75 | 75 | 1,564.9 | 75 | 166 | 166.0 tFIM | 2,128.9 |
| PI-Rauma Oy | 50 | 50 | 1,876.9 | 50 | 2 000 | 2,000.0 tFIM | 336.4 |
| PICSI Automation Oy | 70 | 70 | 12.0 | 70 | 700 | 70.0 t€ | 77.5 |
| PI-HUN Engineering Ltd Co. | 53 | 53 | 29.2 | 53 | | 1,734.0 tHUF | 13.8 |
| PIC Estonia Ltd | 68 | 68 | 242.6 | 68 | 346 | 346.0 tEEK | 43.5 |
| PI-Mecaplan Oy | 57 | 57 | 20.6 | 57 | 54 | 54.0 t€ | 9.1 |
| | | | | | | | 5,424.6 |
| Associated companies | | | | | | | |
| IS-Plan Oy | 24 | 24 | 24.0 | 24 | 88 | 88.0 tFIM | 33.9 |
| PAB engineering GmbH | 40 | 40 | -14.0 | 40 | | 10.0 t€ | 10.0 |
| | | | | | | | 43.9 |
| Other shares | | | | | | | 934.0 |
| | | | | | | | 6,402.5 |
| Shares and interests owned by Group | Holding | Qty | | | | Nominal value | Book value |
| | % | | | | | | t€ |
| IS-Plan Oy | 24.0 | 88 | | | | 88.0 tFIM | 26.0 |
| PAB engineering GmbH | 40.0 | | | | | 4.4 tFIM | -14.0 |
| Real estate company | | | | | | | |
| Paalupuisto | 13.3 | 444 | | | | 2.5 tFIM | 623.3 |
| Kiilohippu Oy | 16.7 | 5 | | | | | 39.0 |
| Benalgolf Granada 73 | | | | | | | 139.1 |
| Other shares and interests | | | | | | | 160.7 |
| | | | | | | | 974.1 |

The associated companies include 1,900 € of undepreciated consolidation assets.

Auditor's report

To the shareholders of PIC Engineering Oyj

We have audited the accounting, the financial statements and the corporate governance of PIC Engineering Oyj (former PI-Consulting Oyj) for the period of 1 January to 31 December 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

and the President have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

Vantaa, 5 March 2003

PricewaterhouseCoopers Oy
Authorised Public Accountants

Göran Lindell
Authorised Public Accountant



Mirja Söderström (on the left) and Tor-Björn Karlsson

Calculation of key figures

RETURN ON INVESTMENT, %

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

EQUITY RATIO, %

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

INTEREST-BEARING DEBT, % OF TURNOVER

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

NET FINANCIAL EXPENSES, % OF TURNOVER

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

CURRENT RATIO

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

RETURN ON EQUITY, %

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

GEARING, %

$$\frac{\text{Interest-bearing debt - cash, bank receivables and financial securities}}{\text{Shareholders' equity + minority interest}} \times 100$$

A subordinated loan of 2,138,000 ₧ has been taken into account when calculating the shareholders' equity. Extraordinary items have been taken into account in the calculation of profit/loss.

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The logo consists of the letters 'PIC' in a bold, green, sans-serif font. The 'P' and 'I' are connected at the top, and the 'C' is slightly larger and positioned to the right.

Practical Knowhow – Innovative Design