Annual Report 2003

PIC Engineering

Contents

PIC Engineering, a member of the Swedish SWECO Group, is a major consulting and engineering company operating mainly in Europe. We provide consulting, design, engineering and project management services for industrial customers in R&D, investments and production within all of our main businesses. PIC focuses on the following customer segments:

- *Process industry*
- *Mechanical and electrical engineering industry*
- *Electronics*
- *Offshore and shipbuilding industry*

SWECO Group is a leading consulting engineering company in the Nordic countries, with combined expertise in consulting engineering, environmental technology and architecture. SWECO employs 3,600 consultants in seven countries and had a total turnover of 335 million euros in 2003. SWECO is listed in the Stockholm Stock Exchange.

Year 2003 in a nutshell

Group structure changed

- PIC became a member of the Swedish SWECO Group in December 2003.
- PICSI Automation Oy was merged with PIC Engineering Oyj at the end of the year.

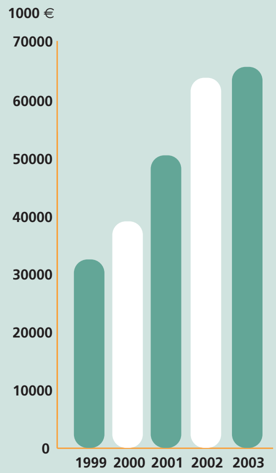
Growth, expertise and international expansion

- International business grew to 25 per cent of turnover.
- In February, PIC acquired the Finnish company Piiri Technologies Oy specialising in ASIC and FPGA design. In line with the acquisition, 20 electronics professionals were transferred to PIC's employment.
- In November, PIC signed an agreement on the establishment of a joint venture in the Ukraine with Transgasengineering, a local engineering company.
- In November, PIC acquired part of Done Information Oy's Engineering business. At the same time, a co-operation agreement on product design and product documentation was signed. As a result of the acquisition, 17 persons transferred from Done to PIC.
- PI-Network expanded when M Consult GmbH of Moosburg, Germany, joined the network.

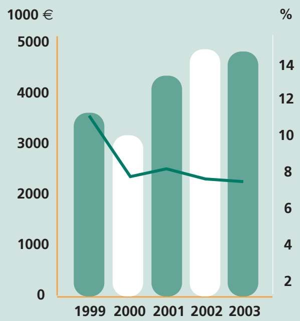
Intensified operations

- PIC's operating system was updated to conform to the ISO 9001:2000 quality standard. The operating system will be certified in April 2004.

Turnover



Profit before goodwill depreciations



Key figures

	1999	2000	2001	2002	2003
Turnover, 1000 €	32,733	39,286	50,875	63,987	65,453
Profit before goodwill depreciations (EBITA), 1000 €	3,622	3,157	4,333	4,868	4,834
Profit before goodwill depreciations, %	11.1	8.0	8.5	7.6	7.4
Operating profit (EBIT), 1000 €	3,622	3,082	4,100	4,162	3,834
Operating profit, %	11.1	7.8	8.1	6.5	5.9
Profit before extraordinary items, reserves and taxes, 1000 €	2,824	2,669	3,750	3,879	3,596
Profit before extraordinary items, reserves and taxes, %	8.6	6.8	7.4	6.0	5.5
Return on investment, %	39.4	31.2	34.3	31.0	29.0
Return on equity, %	50.2	35.5	39.9	27.9	29.4
Equity ratio, %	36.2	31.1	34.8	31.7	34.9
Current ratio	1.1	1.2	1.2	1.2	1.2
Investments in fixed assets, million €	0.7	1.1	1.6	0.6	1.4
Investments in fixed assets, %	2.0	2.8	3.2	0.9	2.3
Order backlog, million €	10.7	21.8	19.1	22.1	19.9
Personnel, average	594	648	718	833	892

Innovative

Our core values

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

Our vision

PIC is a leading engineering consultancy company in Europe in the selected customer segments.

Our mission

We improve the competitiveness of our customers and provide our customers, personnel and owners with added value through innovative expertise based on division-specific specialisation and through efficiency and customer-focused service. Confidence and long-term co-operation constitute the cornerstones of our operations.

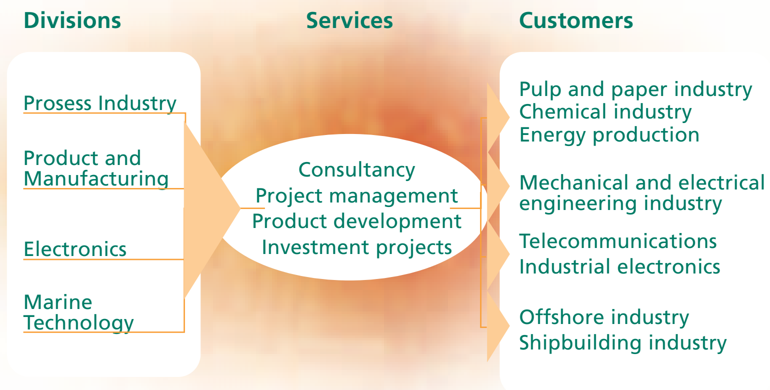
Our strategy

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

Profitable growth
We maintain constant and profitable growth through advancing and expanding services to our key accounts, through extending our international operations in Europe in co-operation with local partners and joint ventures as well as by networking, and through input in new business areas.

Extensive and flexible services, and competitive core competences
In the development of our services and related areas of expertise, particular emphasis is placed on our core competencies: technical know-how, project management, operational processes and partnership, as well as networking.

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



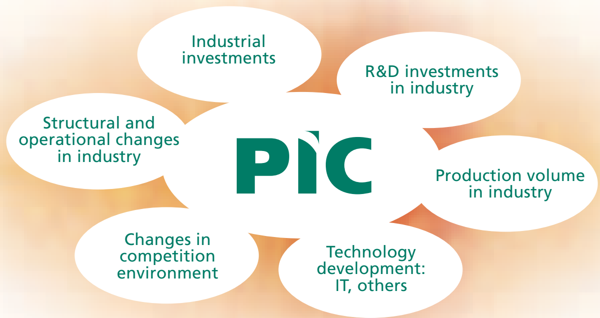
expert partner

Our operating environment

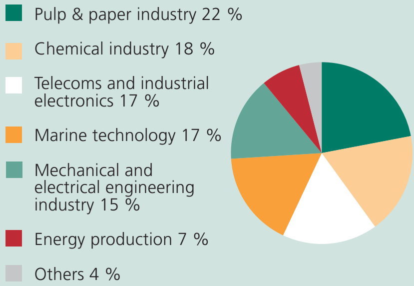
The demand for consulting and engineering services is influenced by industrial investments, production volumes and R&D input as well as by structural and operational changes in industry. Moreover, changes in the operating environment and technological developments have an impact on demand.

The year 2003 was very challenging in the consulting and engineering market. PIC's position in the market consolidated in some of the main customer segments while in others it remained at the 2002 level.

The market situation is expected to improve gradually, and demand is expected to pick up towards the end of 2004. Some of our customers have increasingly global operations and at the same time competition becomes more international. There is also some overcapacity in the consulting and engineering business, which adds to competition and has an impact on the trend in the price level of services.



Turnover by business sectors



Message by the Chairman of the Board

It gives me great pleasure to introduce an even stronger SWECO with PIC Engineering as one of the cornerstones of the Group.

After the merger with PIC Engineering, we are one of the leading technical consulting engineering companies in the Nordic countries with combined expertise in consulting engineering, environmental technology, and architecture. SWECO Group has 3,600 employees in seven countries. Proforma turnover in 2003 stood at 335 million euros and profit at 15 million euros. SWECO continues to enjoy a solid financial position with an equity ratio of 34 per cent. We are also engaged in extensive international operations in more than 40 countries.

The merger with PIC is a sound move from a business point of view. PIC provides SWECO with resources and vital core competence in the industrial sector, an area which we have endeavoured to consolidate for a long time. SWECO gives PIC both know-how and resources for instance in environmental and construction engineering. Through PIC, SWECO also obtains a strategically valuable platform in Finland. Together, we will strengthen our presence in the Nordic countries and continue to build up a competitive international consulting engineering company.

For our employees, SWECO and PIC Engineering will be an even more attractive workplace. For our clients, we can offer stronger expertise which will contribute to their competitiveness and business results.

The SWECO Group is well prepared for the future. Our roots are in the Nordic countries, our approach is international, and our market is global. We have competent and motivated employees working in a solid business culture characterised by a business-oriented approach and individual responsibility. It is invigorating to continue to develop the SWECO Group together with PIC Engineering into a leading technical consulting engineering company in Europe.

Wigon Thuresson
Managing Director and CEO of SWECO
Chairman of the Board of PIC Engineering

President's review

The past year 2003 represented something of an intermediate phase in PIC's market development and growth, but the year was still significant in strategic terms – PIC became part of SWECO at the end of December. In line with this change, PIC continues to implement its growth and internationalisation strategy as a part of a leading Nordic consulting and engineering company, utilising the expertise, resources and customer interfaces of SWECO.

Even though the market situation was difficult, we managed to achieve our main goals defined for 2003 in terms of market position, profitability and expertise.

The market situation was poor throughout 2003, and there were no signs of recovery. The demand for engineering services is depending on industrial investments, production volumes, R&D input, and structural changes within industry. Industrial investments and production volumes decreased

Lauri Hintikka (on the left) and Wigon Thuresson

last year, which also reduced the demand for engineering services by 5 to 10 per cent. Despite this, the volume of orders received by PIC grew slightly on 2002. The order book received by the Electronics Division grew by 50 per cent. The growth in orders in the Process Industry Division and Product and Manufacturing Division was approx. 5 per cent. However, both the volume of new orders and invoicing in the Marine Technology Division decreased considerably.

Turnover and profitability in the entire PIC Group were slightly higher than in 2002. The financial performance of the Process Industry Division and Electronics Division improved clearly, and the Marine Technology Division continued its favourable financial performance. As a result of reduced volumes and a low capacity utilisation rate in the Product and Manufacturing Division, the operating profit in this division declined. The sluggish market and sales trend during the early part of the year caused insufficient capacity utilisation in some units, but this was partly managed by means of additional training, flexible working hours and temporary lay-offs. Thanks to the measures carried out, financial performance towards the end of the year was better than in 2002.

PIC continued its strategic input in growth and international expansion in 2003: Piiri Technologies Oy was acquired to complement the expertise and supply range in electronics, the international expansion process was accelerated for instance by establishing joint ventures in the Ukraine and St Petersburg, PIC's client processes were developed and customer service was revised, PIC Academy developed and achieved positive results for instance in project manager training, a significant number of successful projects were completed by various teams, and to crown it all, PIC joined SWECO.

The number of personnel has also continued to grow – today, we PIC employees number more than 900, approximately 150 of whom are working in our units outside Finland. The international expansion is beginning to reflect in everyday work in more and more of our offices and in the increasing number of international assignments undertaken by our personnel.

Our new life and operation as part of a bigger Nordic company, SWECO, is only beginning. This will present us all with new challenges, more experiences, and international contacts. We shall have the opportunity and also the liability to develop the business, expertise and personnel of our own area of responsibility. PIC's role within SWECO is to continue to focus on industries and to maintain the successful growth strategy.

Our main goal for 2004 continues to be profitable growth. The input will be directed at international expansion especially within the EU area and in Eastern Europe, at enhancing expertise, and at operational integration with SWECO.

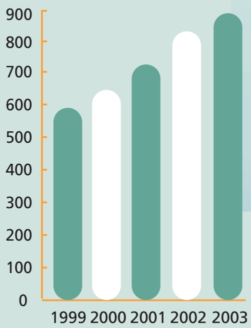
The market outlook for 2004 is somewhat more positive, and demand is expected to take an upward turn at the end of the year both in Finland and in the other main market areas. There will be further structural changes in industry, which will provide PIC's growth with additional opportunities. Competition will be stiffer and more international. I believe that our competitive position will strengthen as we are working as part of SWECO, and that we can offer an even more extensive service, hence supporting our clients in their success.

The past year required considerable flexibility from our personnel. For this, thanks are due to each and every PIC employee. I would also like to extend my thanks to our clients and partners for their good co-operation and confidence.

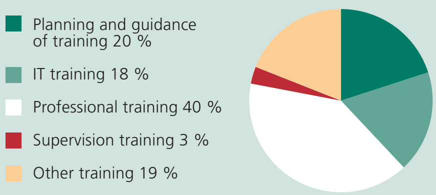
Lauri Hintikka
President

Personnel

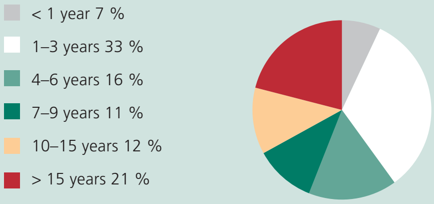
Personnel, average



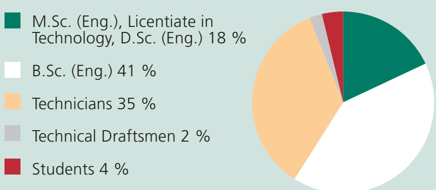
Distribution of training costs



Average number of years worked in the company



Education, technical personnel



Number of personnel grew, turnover rate decreased

PIC's number of personnel grew by 2 per cent in 2003. Most of the growth came through acquisitions. At the end of the year, the Group had 895 permanent employees (875 at the end of 2002).

The average age of permanent employees in the Group was 40 years (41 in 2002). More than one quarter, 30 per cent, of the personnel were over 50 years of age. The proportion of those under the age of 30 increased somewhat to 19 per cent (18 per cent in 2002).

The average service period in the Group is 9 years (8.8 years), and the average period of work experience is 16 years.

The turnover rate of personnel, 3.1 per cent, continued to decrease on the previous years (4.6 per cent in 2002).

Learning is a constant process

The foremost strength of an expert organisation is constant learning and development. At best, these integrate the needs and goals of both the individual and organisation.

The development of the skills and knowledge of PIC's employees is supported by offering numerous and versatile learning opportunities in professional expertise, foreign languages and interaction skills. The personnel is also supported and encouraged in their own further education plans. Most of the learning takes place on the job in various projects and assignments.

Our own training system, PIC Academy, was developed further during 2003 through issues such as drawing up of

supervisor training modules. In the future, all training and development efforts will be co-ordinated through PIC Academy once the training system is complete. The project manager training, which had started off very well, continued in 2003, and the first students who had started their studies in the autumn of 2001 took IPMA's level C qualification, Registrated Project Management Professional.

The development of team work continued in 2003. The objective of teaming is to shift development responsibility closer to the persons who actually carry out the work. The teams are encouraged to constant development of their operations and to joint team meetings.

Regular personal appraisal interviews serve as the basis of personnel development. These interviews are used for agreeing on the personal key targets and learning plans which support the constant development of personnel.

Internal communications to the entire personnel were enhanced by introducing quarterly information sessions within the divisions and by agreeing on their consistent contents. Moreover, all employees have access to much information on the operations of the Group and its divisions on PIC's Intranet and Extranet pages and in personnel newsletters.

Focus on welfare at work

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 43, which is a good result on a scale of 7 – 49.

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

Absence rate on account of illness has increased to a level of approx. 3 per cent. Our goal is to reduce and prevent medical problems with support and locomotory organs 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 two persons went on individual early retirement.

Incentive bonus

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

Development management

Extensive development

The year 2003 was very multifaceted for PIC's business and operational development. The most significant development project, originally launched in 2002, was converting our operating system TOPIC into a process-based system. Ground work for this project was completed in 2003, and the launching of the new system commenced in December. The divisions and business units also developed the expertise of their personnel, international procedures, resource management, and intra-Group co-operation.

In information and project management, we developed further our tools used for project control, document management and easy availability of engineering instructions. The most important project here was the completion of a browser-based project portal. A browser-based user interface was created for PIC Academy for the management of development projects and training; this interface will be introduced gradually during the second quarter of 2004. We also concentrated on enhancing the efficiency of engineering software by utilising various application-specific solutions.

In information technology, we continued the development of Intranet and Extranet user interfaces based on browser-based technologies. Almost the entire PIC Engineering Oyj has now shifted over to the use of the Windows2000 environment.

Customer satisfaction at a good level

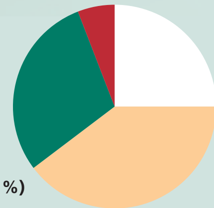
We aim to improve our operations constantly especially on the basis of the assessment results obtained from our customer feedback process. By using feedback gained through our browser-based customer feedback system, we can specify the necessary corrective action. The amount of feedback remained at the same level as in 2002, and we are satisfied with the assessment results.

In 2003, we participated for the third time in a customer satisfaction survey arranged by the Finnish Association of Consulting Firms (SKOL), covering the entire engineering business in Finland. The results show that our clients think that over the past three years, we have succeeded in developing our operations in the right direction.

Investments at the 2002 level

In 2003, we invested 1.08 million € in developing the expertise of our personnel and 1.77 million € in business development. As far as the operating environment is concerned, our biggest investments, 1.25 million €, were directed at information technology (software, datacommunications, workstations, printers, servers). Furnishing of new facilities and improving the working environment were allocated 0.22 million €. Our total investments in 2003 were somewhat smaller than in 2002.

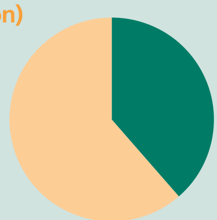
Proportion of total investments of turnover



- Training 1.7 %
- Development 2.7 %
- IT 2.0 %
- Other investments 0.4 %

Total 4.35 million € (6.8 %)

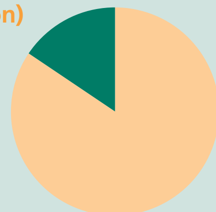
Training and development (€/person)



- Training 1,226 €
- Development 1,994 €

Total 3,220 €/person

IT and other investments (€/person)



- IT 1,410 €
- Other 275 €

Total 1,685 €/person

Intensification in international operations

Our foremost development project in 2004 will be building a co-operation model with the other companies belonging to the SWECO Group. We will concentrate especially on integrating project operations and on international expansion.

We also continue to focus on the development of our operating processes and on the introduction of our new operating system. In information technology, we will improve data security further and continue the development of a network-based operating model together with our customer and supplier partners.

The total investments budgeted for 2004 are somewhat higher than those in 2003.

Process Indust

Fortum´s oil refinery in Porvoo, Finland

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

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

Business units
- *Process Industry Finland*
- *PI-Rauma Oy, Process Industry*
- *PIC Engineering AB*
- *PIC Estonia Ltd*
- *PIC Ukraine*

Offices
- *Finland: Vantaa, Lahti, Lappeenranta, Tampere, Pori, Rauma, Oulu*
- *Sweden: Karlstad, Gothenburg*
- *Estonia: Tallinn*
- *Ukraine: Kiev*

	2003	2002	change
Turnover, million €	32.2	26.1	+23 %
Proportion of the turnover of the Group	49 %	41 %	
Personnel 31 Dec	360	358	+1 %

The Process Industry Division develops and supplies engineering, consulting and project management services required in investments and production process development. The main clients 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.

Market situation remained stiff

The small volume of investments by the pulp and paper industry in Finland in 2003 was reflected directly in the demand for engineering services. However, the engineering of Stendal's pulp mill in Germany, which began in the latter half of 2002, provided a considerable improvement in the capacity utilisation rate in the Process Industry Division in 2003. Estimates forecasting more active market situation and increased investment level in the pulp and paper industry did not materialise during the autumn of 2003.

In the chemical industry both in Sweden and Finland, engineering assignments from the oil and gas industry grew on 2002. 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.

Despite the stiff market situation, the Process Industry Division achieved both its turnover and profit goals.

Versatile new orders

In 2003, we obtained several significant assignments from the pulp and paper industry to supplement the Stendal project. One of the end customers here was Stora Enso,

Kari Harsunen, Vice President, Process Industry Division

for which we engineered the modernisation of a fibre line for the WAROX project in Varkaus, Finland, as well as the storage and handling of hydrogen peroxide. Moreover, we carried out several preliminary engineering assignments for the pulp and paper industry in Sweden, Continental Europe and Asia.

We participated in the engineering of a total of eight new recovery boiler plants in different parts of the world (Chile, China, Brazil, Sweden, Germany, Portugal, Slovakia and Finland). Paper machine engineering was carried out for Continental Europe together with our PI-Network partner TBP-Piesslinger (Austria). Fibre lines were engineered for Metso's, Andritz's and Kvaerner's deliveries to countries such as Brazil, Chile and South Africa.

In the chemical industry, the biggest client in Finland continued to be Neste Engineering, part of the Fortum Group. Fortum´s Diesel project raised the order backlog considerably in the autumn of 2003. The most significant order in the chemical industry in Sweden came from Nynäs Refining, which also belongs to the Fortum Group. This order was completed at the end of 2003.

In the energy industry, the continued biofuel boom in Europe increased the volume of orders from power plant suppliers. We received new projects from Foster Wheeler Energia (e.g. two plants in Ireland), Kvaerner Power (e.g. power plant in Arauco, Chile), and Wärtsilä.

Assignments funded by international financial institutions in Eastern Europe and the Ukraine continued at the same volumes as in 2002. Such projects included a power plant project in St Petersburg and a gas pipe and oil terminal in Southern Ukraine.

Efficiency in engineering

The most important development project during 2003 was enhancing the efficiency of engineering work by developing the tools used and the management of project operations. More than 50 persons participated in PDMS, PDS and Project Manager training during the review period.

The organisation was streamlined to provide a more focused service to the clientele in the various customer segments within the process industries.

In international operations, we continued input in 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, Poland and the Ukraine.

Continued good order backlog

The outlook for 2004 in Finland continues to be poor on account of postponed investment decisions. Instead, export assignments show signs of recovery. Thanks to a few large projects and solid client relationships, the order backlog is at a good level.

The foremost goal for 2004 is to develop PI-Network in Europe by integrating the operating systems of the members of the network both in terms of marketing and project execution. Efficient and purposeful engineering represents the key expertise of each member of PI-Network.

Integration between the operations in Finland and Sweden has a particularly crucial role in the implementation of process and plant engineering projects.

Product and Manufacturing

Tuomo Nevalainen, Vice President,
Product and Manufacturing Division

The Product and Manufacturing Division serves as a partner of enterprises operating in the mechanical engineering, electrotechnical and manufacturing industries by providing expert services in product design, manufacturing and project management. We enhance our clients' business through solutions based on engineering expertise and by assuming responsibility for our clients' outsourced operations. At the same time, PIC's personnel are offered interesting and challenging assignments.

The objective of Product and Manufacturing is long-term co-operation with our clients. Our stated aim is to continue to be a leading Finnish expert partner in R&D and product design serving the mechanical engineering and electrotechnical industries, and to expand our operations through international networking.

PIC supports structural change in industry when enterprises outsource or develop their operations. Here, we utilise flexible and reliable customer processes.

Unique expertise

The services of the Product and Manufacturing Division are composed of project management and engineering supplemented by business consultancy. We focus on business development, investments, supply projects, R&D, and manufacture. Operations stem from long-term partnership, and our operating concepts have been commercialised into customer processes: consultancy, projects, and networking. We can even set up a team to work closely with the client to support the flexibility of assignments and their reliable execution.

Product and Manufacturing Division's unique R&D expertise is updated constantly. Here, industrial design, engineering and IT expertise are integrated with practical experience. Proficiency and experience in industrial investment projects together with business consulting services complement the range of services.

Market situation restricted development

The market situation in the mechanical engineering industry worsened during 2002, and there was no recovery in 2003. This was reflected in the demand for project and engineering services especially in supply and investment projects.

However, input in R&D alleviated the overall decline in demand. The predicted sales targets for 2003 were based on a market improvement in the middle of the year. Since this did not materialise the targets quickly became unrealistic. The situation was particularly worrying in automation engineering, and mechanical engineering also faced some temporary lay-offs. Our long term objectives for recruitment were also shelved.

Client feedback has been good, and co-operation with our key accounts continues despite decreased volumes. Major clients during 2003 included ABB, Kone, Maillefer Extrusion, KCI, Metso, Outokumpu, Raute and Siemens, for whom we provided product development and supply engineering services.

Project management and engineering services for investments involved both new developments and plant upgrades. Consultancy focused on structural changes in industry and on investment appraisals. Here, our clients included companies such as AGA, Draka NK Cables, Keila Cables, Sanitec and Saint-Gobain Isover.

Client focus and expertise have a central role in our organisational model; account managers take care of our clients, and the competence centers facilitate the further development of expertise and resources. In 2003, developmental efforts focused on enhancing professional expertise and on client-specific co-operation. One significant event was the acquisition of Done Solutions' Engineering business at the end of 2003. This acquisition augments industrial design expertise to PIC.

Wallius Hitsauskoneet Oy developed the new Bluemax industrial welding machine series in co-operation with PIC's Product Development Center.

Development focuses on expertise, growth and partnership

Our long-term goal is profitable growth based on international expansion and structural changes in industry. Moreover, we will establish co-operation networks to support marketing, expertise and resource flexibility. The focus of our international expansion is on Europe, but we also aim to serve clients in China within a few years. Co-operation with our clients will become deeper and broader in product management and maintenance.

One of our goals continues to be strengthened R&D, based on our ability to assume responsibility for entire R&D projects. Our expertise covers industrial design, automation and mechanics, and to these we can integrate other PIC services such as electronics or process engineering.

Investors can continue to rely on our consulting services to assess the background factors and project viability through financial analyses and by simulating manufacturing and supply chain all the way to the end user. Our project management competence has deepened as a result of completed projects. Our clients can confidently give total responsibility for their projects to PIC.

Although we begin 2004 with continued market uncertainty, our clients report an upswing in business, which will significantly improve our prospects for recovery during the year. Given that our product is composed of expertise, client co-operation, contractual modelling and operating processes we aim to continue the consolidation of our regional presence in both Finland and internationally, so that we can work even closer with our clients.

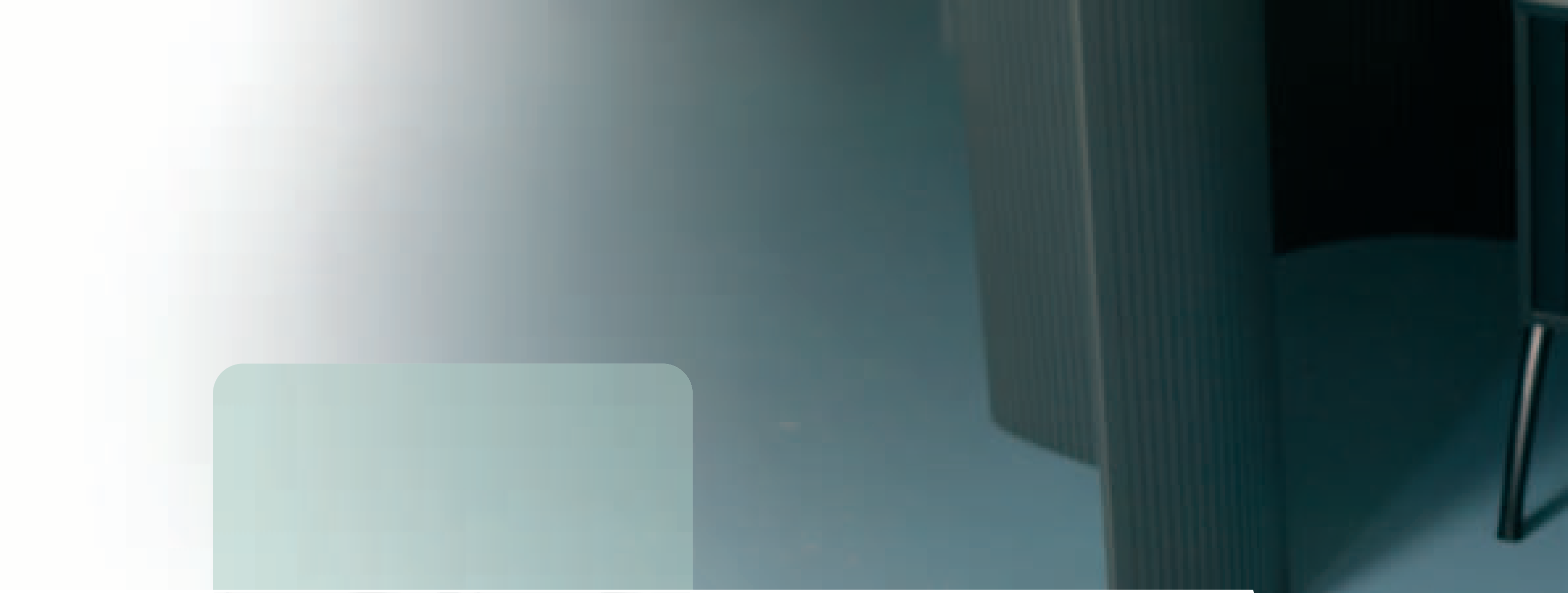
Clients
- *Mechanical engineering industry*
- *Electrotechnical industry*
- *Equipment suppliers*
- *Manufacturing industry*

Products and services
- *Consulting*
- *Project management*
- *R&D*
- *Engineering services*
  - *Investments*
  - *Customisation*
  - *Manufacturing*
  - *Maintenance*

Business units
- *Product and Manufacturing Finland*
- *Management and Operations Consulting*

Offices
- *Finland: Vantaa, Lahti, Oulu*

	2003	2002	change
Turnover, million €	9.4	12.8	-27 %
Proportion of the turnover of the Group	14 %	20 %	
Personnel 31 Dec	160	149	+7 %



Sami Kangasharju, Vice President, Electronics Division

The strengths of PIC Electronics encompass the design of telecommunications equipment.

Customers
- *Telecommunications industry*
- *Industrial electronics*
- *Semiconductor industry*

Products and services
- *Product development*
- *Project management*
- *Consulting*

Business units
- *PIC Electronics*
- *Piiri Technologies Oy*
- *PIC Mecaplan Oy*

Offices
- *Finland: Oulu, Vantaa, Ylivieska*

	2003	2002	change
Turnover, million €	11.2	9.1	+23 %
Proportion of the turnover of the Group	17 %	14 %	
Personnel 31 Dec	150	122	+23 %

The Electronics Division offers contract product development services for electronics products and systems. The full scale of services includes product development, project management and consulting. Our key industry segments are telecommunications, industrial electronics and semiconductors. The core of our strategy is the delivery of an R&D project, including management and all technology knowledge required by our client's product.

The business is based on long partnerships with key clients that have high requirements both in terms of volume and technical expertise.

Growth and improved profitability

The electronics market situation continued to be unfavourable, which was reflected in downsizing throughout the industry. For PIC's Electronics Division, 2003 was a year of new business development. Revenues increased by 23 per cent, and operating profit tripled.

The growth came from the semiconductor and telecommunications industries. Particular sources of growth were new extensive assignments in telecommunications network equipment, and the acquisition of Piiri Technologies Oy with 20 experts in digital IC design. Profitability was also improved by an increased loading rate.

Ten new customer relations were initiated in 2003. Our foremost clients include three leading companies in the telecommunications and semiconductor sectors.

Electronics

Our resources: skills, processes and the network

Number of personnel increased by 23 per cent during the year under review. The investments in new skills focused on digital IC design, HW design, and new areas of electro-mechanics design. At the beginning of 2004, SW design is the fastest growing area. Availability of the best people remains a key requirement for success.

Co-operation agreements were signed with a number of key companies to provide access to skills and resources which we do not aim to develop in-house within PIC, or skills where we may need added capacity temporarily. The new network partners include leading companies in electronics manufacturing, industrial design, testing and measurement, and embedded systems.

New processes and roles were introduced in customer relation management, and a new organisational unit, Project Operations, was set up to provide and develop project management services. Among other training and development, 13 employees went through a project management training programme tailored by PIC Academy for electronics projects.

New offerings

PIC Electronics extended its client relations in several ways. We have seen gradual business development from small assignments to large ones, growth from individual expertise areas to a broader combination, outsourcing of client functions or teams, and strategic acquisitions opening new client accounts.

We heightened general awareness of PIC as an electronics developer through media advertising, participating in industry organisations and events, as well as through the improvement of our public image, including arts and culture promotion in Oulu, Finland. This resulted in positive visibility in the media and professional sphere.

Internationalisation

Revenues from clients outside Finland grew to above one million euros, meeting the target and providing a good basis to continue on the planned track. The main part of foreign revenues came from US clients, and there are areas of future international growth in Europe and Asia. During the year, our designers have also had local presence on client premises in Japan, Germany, UK, France, and Sri Lanka.

Looking ahead

Our business is based on an ever clearer idea of what we do, and continuous improvement in its execution. We continue to pursue profitable growth in 2004, which will require fast learning, success in recruitment and new types of deliveries, as well as gaining market share from competition.

The aggressive growth target is based on two factors: a strengthened order book as compared to 12 months ago, and our belief in an eventual upturn in the electronics and telecommunications markets, of which we expect to see some evidence in the course of 2004.

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.

Continued good profitability

Demand for engineering services in the offshore industry and shipbuilding industry was weak during the first part of the year, and the market situation did not improve until the end of the year. The capacity utilisation rate remained normal until the autumn of 2003 as a result of the order book reached during the previous year. After that, the shortage of orders led to the fact that the use of outside manpower ceased and temporary lay-offs also affected our own personnel.

In 2003, turnover in the Marine Technology Division decreased by almost 20 per cent but profitability remained good on account of successful cost control. The number of personnel remained unchanged, being on average 200. The share of subcontracting fell to less than 10 per cent of the invoiced working hours.

Technip as the biggest customer

The most significant assignments executed were the almost simultaneous engineering of three hulls of spar type oil production platforms. All the hulls were delivered to Technip Offshore's American customers to the Gulf of Mexico. One of the platforms was installed on KerrMcGee's field and the two others will serve British Petroleum's fields in 2004.

Moreover, the Marine Technology Division participated in the engineering of an oil production platform to be delivered to the Caspian Sea. The work was carried out partly in Technip Offshore's office in Paris and partly in our own offices in Finland. At the assignment of RR Offshore in Ulvila, Marine Technology also participated in the engineering of oil production platforms to be constructed on Sakhalin.

The most important assignments in the shipbuilding business sector were the engineering of the car ferry Victoria and of a cruise ferry which will be built by Aker Finnyards for Tallink and Birka Line respectively. For Kvaerner Masa Yards, the Marine Technology Division engineered the hull of the cruise ferry to be delivered to Color Line.

The investment level of industrial clients was low. Towards the end of 2003, however, orders received from Teollisuuden Voima Oy and engineering workshops increased. Product development work concerning the substructure concept and assembly of offshore wind power stations was made for Hollming Works. The piping engineering of a pulp drying machine delivered to the Stendal pulp mill in Germany by Metso Paper was completed.

Further development of engineering methods

Development contributions in 2003 were focused principally on expanding the use of new engineering tools such as 3D

Matti Mattila, Managing Director, PI-Rauma Oy

engineering and on related training. Some of the training was carried out in co-operation with client companies and the governmental economic development centre in the region. Development of the co-operation network was also continued both with local small companies and with foreign strategic partners as well as with our owners.

Demand in the shipbuilding industry livening up

Market outlook in the offshore industry for 2004 is still uncertain, but new orders are expected at the beginning of 2004. Demand in the shipbuilding industry is growing clearly and will offset the declined activity in the offshore industry.

PI-Rauma Oy operates in Western Finland as a regional office of PIC, serving marine technology and also other customer segments. The process, mechanical engineering and automation industries represent approximately 20 per cent of PI-Rauma's turnover.

Truss spar type oil production hard tank engineered for Technip Rauma Offshore, transported from Mäntyluoto Works to the Gulf of Mexico for British Petroleums's Holstein oil field.

Customers
- *Offshore industry*
- *Shipbuilding industry*

Products and services
- *Basic engineering*
- *Fabrication engineering*
- *Strength analyses*

Business unit
- *PI-Rauma Oy*
  (Ownership: 50 % Technip and 50 % PIC Engineering Oyj)

Offices
- *Finland: Pori, Rauma, Vantaa*

	2003	2002	change
Turnover, million €	12.6	16.0	-21 %
Proportion of the turnover of the Group	20 %	25 %	
Personnel 31 Dec	198	197	+1 %

Report by the Board of Directors

General

In December 2003, all the shares of PI-Management Oy, which owns PIC Engineering Oyj, were acquired by SWECO AB (publ), listed on the Stockholm stock exchange. SWECO is one of the leading consulting engineering companies in the Nordic countries with 3,600 employees. The shares were sold by funds managed by CapMan Capital Management Oy and by the executive management of PIC Engineering.

Consolidated profit and balance sheet

Low demand for engineering services, which continued for the third year, had an impact on the turnover of the Group, which was 65.5 million euros, remaining at the level of the previous year (64.0 million euros). The operating profit of 3.8 million euros was slightly smaller than in 2002 (4.2 million euros). The decrease in profitability was attributable to uneven capacity utilisation which continued especially in the Product and Manufacturing Division.

The Group's profit before appropriations, taxes and minority interests was 3.6 million euros (3.9 million euros). The operating profit was 3.8 million euros, or 5.8 per cent of turnover (4.2 million euros and 6.5 per cent respectively). The operating profit includes 1.0 million euros (0.7 million euros) of the Group's goodwill depreciation.

The consolidated balance sheet total was 25.4 million euros (30.3 million euros). The consolidated shareholders' equity stood at 7.0 million euros (4.9 million euros), and the equity ratio was 34.9 per cent (24.6 per cent). The equity ratio of the parent company was 41.2 per cent (24.6 per cent).

Divisions

Turnover in the Process Industry Division grew by almost 23 per cent, and profitability took a clearly upward turn. The Division's business in Sweden in particular improved significantly as a result of rationalisation and growth. Demand for engineering services slowed down towards the end of 2003 causing some capacity utilisation problems, but the Division obtained two major assignments in early 2004, which will secure a steady basic load for 2004.

The Product and Manufacturing Division experienced the second consecutive year of rapid decline in demand, which led to a reduction in turnover by 27 per cent. Profitability was clearly behind the goals set, and the operating profit of the Division was not sufficient. A turn for the better is expected in 2004 as far as demand for engineering services in the Division is concerned.

Turnover in the Electronics Division grew rapidly (23 per cent) partly due to the acquisition of Piiri Technologies Oy, which specialises in IC circuit design. Profitability in the Division improved, too, and partly exceeded the objectives set. The Division has focused on sales and development of expertise, and input in these areas will continue in 2004.

In 2003, the Marine Technology Division suffered from a fluctuation of demand in the offshore industry, and turnover in the Division reduced by 21 per cent. However, the set profitability goals and a good profitability level were achieved. The capacity utilisation rate had to be balanced by means of temporary lay-offs towards the end of the year. The Division received a significant assignment in the offshore industry in early 2004, which will improve capacity utilisation.

Financing

The Group's financial situation was good throughout the financial year, and the operative cash flow was positive. The parent company's old subordinated loans relating to corporate restructuring in the mid-1990s were paid off in full before the schedule. At the end of the financial year, interest-bearing liabilities amounted to 2.8 million euros (7.8 million euros), which represented 4.4 per cent (12.2 per cent) of turnover. Net financial expenses accounted for 0.4 per cent (0.4 per cent) of turnover. Gearing stood at -18.5 per cent (6.4 per cent). The above subordinated loans of the Group have been treated in all comparison figures for 2002 as interest-bearing liabilities.

Investments

The Group's gross investments amounted to 2.6 million euros (2.5 million euros), which was 4.0 per cent (3.9 per cent) of turnover. Of the investments, 1.2 million euros

Lauri Hintikka (on the left), Kurt O. Eriksson, Carl G. Nordman, Ritva Hätönen, Peter Buch Lund and Wigon Thuresson

(1.9 million euros) concerned acquisitions and 1.4 million euros (0.6 million euros) 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. The fully-owned subsidiaries of the Group are PIC Engineering AB operating in Sweden and Piiri Technologies Oy which was acquired in the winter of 2003, operating in Oulu in Finland. PICSI Automation Oy operating in Vantaa, Ulvila and Oulu in Finland became fully-owned by its parent company in February 2003 as Siemens Oy sold its ownership, and the company was merged with its parent company on 31 December 2003. Moreover, the Group comprises PIC Mecaplan Oy (57 per cent) operating in Nivala 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, and real estate company Sammonpiha (75 per cent) in Lappeenranta, Finland.

In December 2003, 10 per cent of the shares of PI-HUN Engineering Ltd Co operating in Budapest, Hungary, were sold to the company's executive management. In accordance with an agreement signed in the same conjunction, the executive management will redeem the remaining shares by the end of 2004. At 31 December 2003, the Group's ownership in PI-HUN was 43 per cent. At the end of the year, PIC also encompassed PAB engineering GmbH (40 per cent) operating in Germany.

Ownership

The share capital is 1.92 million euros divided into shares with a nominal value of 1 euro 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. The composition of the Board of Directors was supplemented in an extraordinary shareholders' meeting held on 14 January 2004 so that in addition to the above persons, Wigon Thuresson and Kurt O. Eriksson were elected members of the Board. Wigon Thuresson serves as the Chairman of the Board. Lauri Hintikka is the President of PIC Engineering Oyj.

Outlook for the near future

The demand for engineering services will likely remain at a low level during the early part of 2004. Industrial production volumes as well as plant investments and development input are expected to grow towards the end of the year, which will improve demand for engineering services in our main market areas.

In January and February 2004, PIC has received significant orders, which brings the order backlog above 30 million euros and improves capacity utilisation from March onwards. The merger with the SWECO Group will also give PIC new growth opportunities.

Proposal by the Board of Directors concerning the use of profit

The distributable shareholders' equity of the Group is 3.8 million euros and that of the parent company 4.4 million euros. 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, 24 February 2004

Wigon Thuresson *Chairman of the Board*	*Peter Buch Lund*
Kurt O. Eriksson	*Carl G. Nordman*
Lauri Hintikka *President*	

Consolidated
profit and loss account

1 Jan to 31 Dec 2003 and 1 Jan to 31 Dec 2002

1000 €	2003	2002
Turnover	**65,452.5**	**63,986.6**
Other operating income	94.9	83.0
Materials and services	-10,123.5	-11,609.1
Share of the financial results of associated companies	18.7	-176.5
Personnel expenses	-39,513.6	-36,479.7
Depreciation and write-downs	-1,858.9	-1,896.0
Other operating expenses	-10,236.3	-9,746.1
Operating profit	**3,833.8**	**4,162.2**
Financial income and expenses	-237.6	-283.0
Profit before taxes	**3,596.2**	**3,879.2**
Direct taxes	-884.5	-1,367.1
Minority interest	-624.6	-1,240.3
Net profit for the financial year	**2,087.1**	**1,271.8**

Consolidated balance sheet

31 Dec 2003 and 31 Dec 2002

1000 €	2003	2002
ASSETS		
Non-current assets		
Intangible assets	680.8	1,220.9
Consolidated goodwill	3,127.6	3,211.4
Tangible assets	3,221.4	3,308.1
Long-term investments	967.6	974.1
	7,997.4	**8,714.5**
Current assets		
Short-term receivables	12,888.7	14,369.7
Cash and bank receivables	4,496.5	7,207.3
	17,385.2	**21,577.0**
	25,382.6	**30,291.5**
LIABILITIES AND SHAREHOLDERS´ EQUITY		
Shareholders´ equity		
Share capital	1,920.0	1,920.0
Issue premium fund	190.8	190.8
Legal fund	1,072.1	1,072.1
	3,182.9	**3,182.9**
Retained earnings	1,746.2	480.5
Net profit for the financial year	2,087.1	1,271.8
	3,833.3	**1,752.3**
Subordinated loan	**0.0**	**2,137.7**
Shareholders´ equity, total	**7,016.2**	**7,072.9**
Minority interest	**1,833.2**	**2,518.8**
Liabilities		
Deferred tax liability	15.9	21.9
Long-term liabilities	1,810.4	2,736.5
Short-term liabilities	14,706.9	17,941.4
	16,533.2	**20,699.8**
	25,382.6	**30,291.5**

Statement of changes in financial position

31 Dec 2003 and 31 Dec 2002

1000 €	2003	2002
SOURCES OF FUNDS		
Funds from operations		
Operating profit	3,833.8	4,162.2
Depreciation according to plan	1,858.9	1,896.0
Financial income and expenses	-237.6	-283.0
Taxes	-884.5	-1,367.1
	4,570.6	4,408.1
Sales of fixed assets	624.8	876.4
Increase in long-term debt	0.0	1,782.0
	5,195.4	**7,066.5**
USE OF FUNDS		
Investments	1,814.5	3,595.5
Decrease in long-term debt	4,392.8	1,291.9
Dividend distribution	1,261.3	676.9
	7,468.6	5,564.3
Change in net working capital	-2,273.2	1,502.2
	5,195.4	**7,066.5**
CHANGE IN NET WORKING CAPITAL		
Cash and bank receivables	-2,710.8	1,879.7
Short-term liquid assets	-1,481.0	3,500.3
Short-term liabilities	1,918.6	-3,877.8
	-2,273.2	**1,502.2**

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, FI-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 leased through financial leasing contracts 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.

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 of fixed assets are as follows:

Office buildings	50 years
Office furniture	5-10 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

Notes to the financial statements

1000 €	2003	2002
Turnover by market areas		
Finland	45 %	53 %
Exports (direct and indirect)	55 %	47 %
Other operating income		
Gains on the disposal of fixed assets	36.4	42.7
Insurance indemnities/refunds	17.8	1.9
Others	40.7	38.4
	94.9	**83.0**
Materials and services		
Materials and services	3,420.0	2,971.3
External services	6,703.5	8,637.8
	10,123.5	**11,609.1**
Share of the profit or loss of associated companies		
PAB engineering GmbH	0.0	-24.0
IS-Plan Oy	-5.5	-6.0
PIC Engineering AB	0.0	-146.5
PI-HUN Engineering Ltd Co.	24.2	0.0
	18.7	**-176.5**

The figures include depreciation on consolidation assets.

Personnel and personnel expenses
At the end of the financial year, the Group employed 895 persons (875 in 2002). The average number of personnel was 892 persons (833 in 2002).

	2003	2002
Personnel of Group companies 31 Dec		
In Finland	743	717
Outside Finland	152	158
	895	**875**
Personnel expenses		
Salaries, wages and bonuses	31,408.8	29,281.6
Pension expenses	5,394.4	4,456.4
Other personnel expenses	2,710.4	2,741.7
	39,513.6	**36,479.7**

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.

	2003	2002
Management salaries and bonuses		
President and Managing Directors	477.9	410.9
Board members	36.0	11.6
Depreciation and write-downs		
Depreciation on tangible and intangible assets	**1,858.9**	**1,896.0**

Depreciation itemised by the various balance sheet items is included in item tangible and intangible assets.

1000 €	2003	2002
Financial income and expenses		
Dividend income		
Group companies	-	-
Associated companies	-	-
Others	23.5	2.6
Dividend income total	**23.5**	**2.6**
Interest and financial income		
Parent company	11.7	22.8
Others	61.0	117.3
Interest income total	**72.7**	**140.1**
Interest and other financial expenses		
Others	-333.8	-425.7
Interest expenses total	**-333.8**	**-425.7**
Financial income and expenses total	**-237.6**	**-283.0**
Direct taxes		
Income taxes	890.5	1,372.7
Change in deferred tax liability	-6.0	-5.6
	884.5	**1,367.1**
Intangible assets		
Intangible rights		
Acquisition cost 1 Jan	19.6	18.6
Additions during the period	0.0	1.0
Disposals during the period	0.0	0.0
Acquisition cost 31 Dec	19.6	19.6
Accumulated depreciation 1 Jan	0.0	0.0
Depreciation on disposals	0.0	0.0
Depreciation during the period	0.0	0.0
Book value 31 Dec	**19.6**	**19.6**
Long-term expenses		
Acquisition cost 1 Jan	4,419.3	4,145.2
Acquisition cost subsidiary/merger transfer	84.7	97.1
Additions during the period	325.8	178.0
Disposals during the period	-1,045.9	-1.0
Acquisition cost 31 Dec	3,783.9	4,419.3
Accumulated depreciation 1 Jan	-3,218.0	-2,757.9
Accumulated depreciation subsidiary/ merger transfer	-12.5	-26.3
Depreciation on disposals	517.9	0.0
Depreciation during the period	-410.1	-433.8
Book value 31 Dec	**661.2**	**1,201.3**
Intangible assets total	**680.8**	**1,220.9**
Goodwill		
Acquisition cost 1 Jan	4,898.4	1,155.9
Acquisition cost subsidiary/merger transfer	66.4	1,088.7
Additions during the period	866.4	2,653.8
Acquisition cost 31 Dec	5,831.2	4,898.4
Accumulated depreciation 1 Jan	-1,687.0	-308.2
Accumulated depreciation subsidiary/ merger transfer	-17.1	-489.8
Accumulated depreciation, results of associated companies	0.0	-183.0
Depreciation during the period	-999.5	-706.0
Goodwill total	**3,127.6**	**3,211.4**
Tangible assets		
Land areas	**13.3**	**13.3**
Buildings and constructions		
Acquisition cost 1 Jan	2,550.4	2,550.4
Additions during the period	0.0	0.0
Disposals during the period	0.0	0.0
Acquisition cost 31 Dec	2,550.4	2,550.4
Accumulated depreciation 1 Jan	-631.2	-580.1
Depreciation during the period	-51.0	-51.1
Book value 31 Dec	**1,868.2**	**1,919.2**

1000 €	2003	2002
Machinery and equipment		
Acquisition cost 1 Jan	9,138.4	9,198.2
Acquisition cost subsidiary/merger transfer	30.1	1,288.0
Additions during the period	443.2	553.5
Disposals during the period	-141.4	-1,901.3
Acquisition cost 31 Dec	9,470.3	9,138.4
Accumulated depreciation 1 Jan	-7,762.8	-7,188.8
Accumulated depreciation subsidiary/ merger transfer	-7.8	-845.9
Depreciation on disposals	86.4	1,025.9
Depreciation during the period	-446.2	-754.0
Book value 31 Dec	**1,339.9**	**1,375.6**
Tangible assets total	**3,221.4**	**3,308.1**
Equity investments		
Shares of associated companies 1 Jan	32.8	703.5
Addition	29.7	20.8
Reduction	-33.9	-691.5
Shares of associated companies 31 Dec	28.6	32.8
Other shares 1 Jan	941.3	1,361.7
Addition/merger transfer	5.6	0.0
Reduction	-7.9	-420.4
Other shares 31 Dec	939.0	941.3
Equity investments total	**967.6**	**974.1**
Receivable		
Accounts receivable	9,206.3	11,207.4
Receivable from Group		
Accounts receivable from parent company	14.6	1.1
Accounts receivable from subsidiaries	-	-
Loans receivable from parent company	830.0	0.0
Loans receivable from subsidiaries	-	-
	844.6	1.1
Receivable from associated companies		
Accounts receivable	5.5	27.4
Loans receivable	56.8	56.8
	62.3	84.2
Loans receivable	80.6	420.5
Other receivable	542.3	611.2
Prepaid expenses and accrued income	2,152.6	2,045.3
	2,775.5	3,077.0
Receivable total	**12,888.7**	**14,369.7**
Essential items of prepaid expenses and accrued income		
Invoicing carried forward	1,031.7	1,019.8
Insurance premium allocation	639.7	386.0
Social Security Institution	184.7	164.3
Tax receivable	5.2	271.1
Advance payments	33.9	104.3
Others	257.4	99.8
	2,152.6	**2,045.3**
Shareholders' equity		
Share capital 1 Jan and 31 Dec		
A series	**1,920.0**	**1,920.0**
Share issue premium 1 Jan and 31 Dec	**190.8**	**190.8**
Reserve fund 1 Jan and 31 Dec	**1,072.1**	**1,072.1**
Retained earnings 1 Jan	1,752.3	471.3
Translation difference	-6.1	9.2
Retained earnings 31 Dec	**1,746.2**	**480.5**

1000 €	2003	2002
Net profit for the financial year	**2,087.1**	**1,271.8**
Subordinated loans 1 Jan	2,137.7	2,778.4
Additions	0.0	0.0
Repayments	-2,137.7	-640.7
Subordinated loans 31 Dec	**0.0**	**2,137.7**
Shareholders' equity total	**7,016.2**	**7,072.9**
Distributable shareholders' equity		
Profit/loss from previous financial years	1,746.2	480.5
Net profit for the financial year	2,087.1	1,271.8
Proportion of shareholders' equity in accum. depreciation differences and voluntary reserves	-32.7	-49.5
	3,800.6	**1,702.8**
Unaccounted deferred tax receivable	**0.0**	**273.0**
Long-term liabilities		
Loans from financial institutions	1,739.9	2,618.4
Pension loans	70.5	118.1
	1,810.4	**2,736.5**
Short-term liabilities		
Loans from financial institutions	932.4	2,277.4
Pension loans	47.6	47.6
Accounts payable	1,207.0	2,151.6
Group debt of parent company	54.7	0.0
Debt of associated companies	11.2	96.1
Other debt	2,594.3	3,272.6
Accrued expenses	9,859.7	10,096.1
	14,706.9	**17,941.4**
Essential items of accrued expenses		
Payroll allocation	7,502.0	6,790.7
Allocation relating to invoicing carried forward	1,096.1	1,837.1
Insurance premium allocation	165.7	323.4
Others	1,095.9	1,144.9
	9,859.7	**10,096.1**
Commitments and contingencies		
Mortgages		
General pledge/business mortgage	5,018.0	5,018.0
Financing loans	2,642.6	4,884.0
Mortgages on own obligations		
Mortgages on own obligations total	5,018.0	5,018.0
Pledges		
Financing loans	2,644.3	4,359.9
Pledges on own debt, book value	3,088.0	3,088.0
Financing loans	158.7	550.0
Pledges on behalf of Group companies, book value	220.0	220.0
Guarantees		
Bank guarantee	2,430.0	2,250.0
On own obligations	2,430.0	2,250.0
Other liabilities		
Leasing liabilities		
To be paid in the new financial year	1,395.0	1,503.0
To be paid later	2,802.0	1,572.0
Rent liabilities		
To be paid in the new financial year	1,091.0	600.0
To be paid later	5,738.0	3,600.0

Shares owned by parent company	Group holding	Group voting	Group share of share-holders' equity	Parent company holding	Shares owned by parent company: Qty	Nominal value	Book value
	%	%	t€	%			t€
Group companies							
PIC Engineering AB	100	100	172.4	100	1 847	184.7 tSEK	2 815.4
Piiri Techologies Oy	100	100	727.8	100	53 600	9.0 t€	1 177.4
Real estate company Sammonpiha	75	75	1 524.8	75	166	166.0 tFIM	2 128.9
PI-Rauma Oy	50	50	1 244.0	50	2 000	2 000.0 tFIM	336.4
PIC Estonia Ltd	68	68	264.6	68	346	346.0 tEEK	43.5
PIC Mecaplan Oy	57	57	45.8	57	54	9.1 t€	9.1
							6 510.7
Associated companies							
PI-HUN Engineering Ltd Co.	43	43	24.0	24		1 406.3 tHUF	12.4
PAB engineering GmbH	40	40	-14.0	40		10.0 t€	10.0
							22.4
Other shares							931.7
							7 464.8

Shares and interests owned by Group	Holding	Qty	Nominal value	Book value
	%			t€
PI-HUN Engineering Ltd Co.	43.0		1 406.3 tHUF	21.8
PAB engineering GmbH	40.0		10.0 t€	-14.0
Miljörevisorerna Environment AB	50.0	500	50.0 tSEK	18.6
Helax Bränsleutveckling AB	20.0	200	20.0 tSEK	2.2
Real estate company Paalupuisto	13.3	444	2.5 tFIM	623.3
Kiilohippu Oy	16.7	5		44.8
Benalgolf Granada 73				139.1
Other shares and interests				131.8
				967.6

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 for the period 1 January to 31 December 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the 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, 26 February 2004

PricewaterhouseCoopers Oy
Authorised Public Accountants

Göran Lindell
Authorised Public Accountant

Calculation of key figures

RETURN ON INVESTMENT, %

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

EQUITY RATIO, %

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

INTEREST-BEARING DEBT, % OF TURNOVER

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

NET FINANCIAL EXPENSES, % OF TURNOVER

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

CURRENT RATIO

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

RETURN ON EQUITY, %

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

GEARING, %

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

In the calculation of shareholders' equity, the respcetively valid subordinated loan has been taken into account until 2002. This loan was paid off during 2003. Extraordinary items have been taken into account in the calculation of profit.

Practical knowhow – Innovative design

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PIC

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